



# Jackson National Life Global Funding

## U.S. \$12,000,000,000

### GLOBAL DEBT ISSUANCE PROGRAM

Jackson National Life Global Funding is a statutory trust organized in series under the laws of the State of Delaware (the “**Trust**”), the sole purpose of which is to facilitate the program (the “**Program**”) described in this offering memorandum (this “**Offering Memorandum**”) for the issuance, from time to time, of discrete series of debt instruments (collectively, the “**Notes**”) secured by funding agreements (each, a “**Funding Agreement**”) issued by Jackson National Life Insurance Company (“**Jackson**”). The Notes will be issued in series (each, a “**Series of the Notes**” or “**Series**”) by the Trust through one or more series of the Trust (the Trust, with respect to each series of such Trust, a “**Series Trust**”). Each Series of the Notes may be comprised of one or more tranches (each, a “**Tranche**”) and will be secured by one or more Funding Agreements entered into between Jackson and the Trust, with respect to the relevant Series Trust. The Trust is the only legal entity which may issue the Notes with respect to the Program, and references herein to each Series Trust are to the Trust with respect to a separate series of the Trust, but no Series Trust is a separate legal entity under Delaware law. The holders of the Notes (the “**Noteholders**”) will have no direct rights against Jackson under any Funding Agreement.

The Trust is not a subsidiary of Jackson or of any affiliate of Jackson. The obligations of the Trust evidenced by the Notes will not be obligations of, and will not be guaranteed by, any other person, including but not limited to Jackson, or any of its subsidiaries or affiliates.

The Notes have not been and will not be registered under the Securities Act of 1933, as amended (the “**Securities Act**”), or any applicable State or foreign securities laws and, unless so registered, may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable State or foreign securities laws. Accordingly, the Notes will be offered and sold only (a) in the United States, to qualified institutional buyers (as defined in Rule 144A (“**Rule 144A**”) under the Securities Act) (“**Qualified Institutional Buyers**”) and (b) in “offshore transactions” to persons other than “U.S. Persons” (each as defined in Regulation S (“**Regulation S**”) under the Securities Act). See “Purchase and Transfer Restrictions.” All resales in the United States must be to Qualified Institutional Buyers.

See “**Risk Factors**” beginning on page 10 for a discussion of certain insurance regulatory issues and other factors that should be considered in evaluating an investment in the Notes.

This Offering Memorandum has been approved by the Central Bank of Ireland (the “**Central Bank**”), as competent authority under Directive 2003/71/EC (the “**Prospectus Directive**”). The Central Bank only approves this Offering Memorandum as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange plc (the “**Irish Stock Exchange**”) for the Notes issued during the period of 12 months from the date of this Offering Memorandum to be admitted to the Official List (the “**Official List**”) and trading on its regulated market. Such approval relates only to the Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area. However, the Notes may be listed or traded on another exchange or not listed or traded on any exchange.

Each Series of the Notes will be issued in the denominations specified in the relevant Final Terms (the relevant “**Final Terms**”), subject to compliance with all applicable legal and/or regulatory and/or Central Bank requirements. Any Series of the Notes admitted to trading on the regulated market of the Irish Stock Exchange or listed on any other regulated market, or offered to the public in any Member State of the European Economic Area, in circumstances which require the publication of a prospectus under the Prospectus Directive will be issued in minimum denominations of €100,000 or greater (or the equivalent thereof in another currency at the time of issue). This Offering Memorandum replaces in its entirety the Offering Memorandum dated August 20, 2013, as supplemented, in relation to this Program. Any Notes issued under the Program on or after the date of this Offering Memorandum are subject to the provisions set out in this Offering Memorandum. This does not affect any Notes issued prior to the date of this Offering Memorandum.

This Offering Memorandum comprises a base prospectus for the purposes of the Prospectus Directive.

The specific terms of the Notes of any series offered will be set forth in the Final Terms for such series. The Notes of a particular series will be issued by a particular Series Trust and will not be the obligations of any other Series Trust.

Tranches of Notes to be issued under the Program will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the rating assigned to Notes already issued. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Final Terms. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 on credit rating agencies, as amended (the “**CRA Regulation**”), will be disclosed in the relevant Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

The Notes are not insurance contracts, insurance policies or funding agreements and do not represent an interest in any such policy or contract. Further, the Notes are not obligations of, and are not guaranteed by, Jackson or of any affiliate of Jackson or any other insurance company. The Notes will not benefit from any insurance guaranty association coverage or any similar protection.

#### ARRANGER FOR THE PROGRAM UBS INVESTMENT BANK

#### U.S. DEALERS

UBS INVESTMENT BANK  
BARCLAYS  
BOFA MERRILL LYNCH  
CITIGROUP  
CREDIT SUISSE  
DEUTSCHE BANK SECURITIES  
GOLDMAN, SACHS & CO.  
HSBC  
J.P. MORGAN  
JEFFERIES  
MORGAN STANLEY  
US BANCORP  
WELLS FARGO SECURITIES

#### EUROPEAN DEALERS

UBS INVESTMENT BANK  
BARCLAYS  
BOFA MERRILL LYNCH  
  
CREDIT SUISSE  
DEUTSCHE BANK

HSBC

JEFFERIES INTERNATIONAL LIMITED

*The Notes sold in the United States in reliance on Rule 144A (“**Rule 144A Notes**”) under the Securities Act will only be issued in registered form (“**Registered Notes**”). The Notes sold outside the United States in reliance on Regulation S will either be issued as Registered Notes or in bearer form (“**Bearer Notes**”), provided that all such Bearer Notes will be issued in “registered form” for U.S. federal income tax purposes. Subject to the provisions of the applicable Final Terms for a particular series of Notes, each series of (i) Registered Notes offered and sold to Qualified Institutional Buyers in reliance on Rule 144A will be initially represented by one or more permanent global security certificate (each, a “**Permanent Global Registered Note**” and in respect of such Rule 144A Notes, a “**Rule 144A Global Note**”) registered in the name of the 144A Nominee (as defined herein) as nominee for, and deposited with the Custodian (as defined herein), as custodian for, The Depository Trust Company (“**DTC**”); (ii) Registered Notes offered and sold in reliance on Regulation S initially will be represented by a temporary global security certificate (“**Regulation S Temporary Global Registered Note**”) registered in the name of the Regulation S Nominee (as defined herein) as nominee of, and deposited with the Common Depositary (as defined herein) as common depositary for Euroclear Bank S.A./N.V. (“**Euroclear**”) and/or Clearstream Banking, Société Anonyme, Luxembourg (“**Clearstream**”) (or such other relevant clearing system as may be specified in the relevant Final Terms); and (iii) Bearer Notes sold in reliance upon Regulation S initially will be represented by a temporary global security certificate (“**Regulation S Temporary Global Bearer Note**”) deposited with the Common Depositary. Subject to certain restrictions, (i) an interest in a Rule 144A Global Note may be exchanged for Registered Notes in definitive form (“**Definitive Registered Notes**”); (ii) an interest in a Regulation S Temporary Global Registered Note may be exchanged for an interest in a Permanent Global Registered Note (“**Regulation S Permanent Global Registered Note**”) or Definitive Registered Notes; (iii) an interest in a Regulation S Temporary Global Bearer Note may be exchanged for an interest in a permanent global form security certificate (“**Regulation S Permanent Global Bearer Note**”); and (iv) an interest in a Permanent Global Bearer Note may be exchanged for (if so specified in the relevant Final Terms) Registered Notes. Registered Notes may not be exchanged for Bearer Notes. See “Description of the Notes—Global Notes”.*

#### **FOR NEW HAMPSHIRE RESIDENTS ONLY**

**Neither the fact that a registration statement or an application for a license has been filed under N.H. Rev. Stat. Ann. Section 421-B with the State of New Hampshire nor the fact that a security is effectively registered or a person is licensed in the State of New Hampshire constitutes a finding by the Secretary of the State of New Hampshire that any document filed under N.H. Rev. Stat. Ann. Section 421-B is true, complete and not misleading. Neither any such fact nor the fact that an exemption or exception is available for a security or a transaction means that the Secretary of the State of New Hampshire has passed in any way upon the merits or qualifications of, or recommended or given approval to, any person, security or transaction. It is unlawful to make, or cause to be made, to any prospective investor, customer or client any representation inconsistent with the provisions of this paragraph.**

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#### **NOTICE TO ARKANSAS RESIDENTS ONLY**

The Notes may not be purchased by, offered, resold, pledged or otherwise transferred to an insurer domiciled in the state of Arkansas, a health maintenance organization, farmers’ mutual aid association or other Arkansas domestic company regulated by the Arkansas insurance department.

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#### **NOTICE TO INDIANA RESIDENTS ONLY**

The Indiana Insurance Department has stated that Indiana domestic insurers should contact the Indiana Insurance Department before purchasing the Notes.

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### NOTICE TO NORTH CAROLINA RESIDENTS ONLY

The Notes have not been approved or disapproved by the Commissioner of Insurance for the State of North Carolina, nor has the Commissioner of Insurance ruled upon the accuracy or adequacy of this Offering Memorandum. The investor in North Carolina understands that neither the Trust nor any Series Trust is licensed in North Carolina pursuant to Chapter 58 of the North Carolina General Statutes, nor could the Trust or any Series Trust meet the basic admission requirements imposed by such chapter at the present time.

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### NOTICE TO INVESTORS IN THE UNITED KINGDOM

In the United Kingdom, this Offering Memorandum is only being distributed to, and is only directed at, persons who either (1) have professional experience in matters relating to investments and fall within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”) or (2) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, *etc*”) of the Order (each such person being referred to as a “**Relevant Person**”). Any investment or investment activity to which this Offering Memorandum relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. This Offering Memorandum must not be acted or relied on by persons who are not Relevant Persons.

No Initial Purchaser (as defined below), agent, dealer, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Offering Memorandum and if given or made such other information or representations must not be relied upon as having been authorized by any Series Trust, the Trust, any Initial Purchaser or Jackson. This Offering Memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any of the Notes offered hereby by anyone in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this Offering Memorandum at any time, nor any sale made in connection herewith, shall, in any circumstances, create an implication that there has been no change in the affairs of any Series Trust, the Trust or Jackson since the date hereof or the date upon which this Offering Memorandum has been most recently amended or supplemented or that the information contained herein is correct as of any time subsequent to such date.

In connection with the issue of any Tranche of Notes, the Initial Purchaser or Initial Purchasers (if any) named as the Stabilizing Manager(s) in the applicable Final Terms (or any person acting on behalf of any Stabilizing Manager), may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any such stabilization action shall be conducted in compliance with all applicable laws, rules and regulations.

None of A.M. Best Company (“**A.M. Best**”), Fitch, Inc. (“**Fitch**”), Moody’s Investors Service, Inc. (“**Moody’s**”) or Standard & Poor’s Rating Services, a Standard & Poor’s Financial Services LLC business (“**S&P**”) is established in the European Union nor registered in accordance with the CRA Regulation, and therefore is not included in the list of credit rating agencies published by the European Securities and Markets Authority (“**ESMA**”) on its website in accordance with the CRA Regulation; however, the ratings assigned by each of A.M. Best, Fitch, Moody’s and S&P are endorsed in the European Union by A.M. Best Europe Rating Services Limited, Fitch Ratings Limited, Moody’s Investors Service Ltd. and S&P Credit Market Services Europe Limited, respectively.

The rating of certain Series of the Notes to be issued under the Program may be specified in the applicable Final Terms. Whether or not each rating applied for in relation to the relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the applicable Final Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation. Such general restriction will also apply in the case of credit ratings issued by credit rating agencies not established in the European Union, unless either (i) the relevant credit ratings are endorsed by a credit rating agency established in the European Union and registered under the CRA Regulation or (ii) the relevant rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended).

### **Responsibility Statement**

Each of the Trust and Jackson accepts responsibility that, having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum is, to the best of their knowledge, in accordance with the facts and does not omit anything likely to affect the import of such information.

THE TRUST IS A DELAWARE STATUTORY TRUST, WHICH ISSUES NOTES THROUGH SERIES TRUSTS. THE TRUST IS AN INDEPENDENT LEGAL ENTITY SEPARATE AND APART FROM JACKSON THAT WAS FORMED FOR THE SPECIAL PURPOSE OF ISSUING SERIES OF NOTES, AND IS NOT AFFILIATED WITH JACKSON. THE TRUST NEITHER IS, NOR WILL BE, IN WHOLE OR IN PART, “CONTROLLED BY” OR OTHERWISE “AFFILIATED” WITH (AS SUCH TERMS ARE DEFINED IN SECTIONS 115(A) AND (B) OF THE MICHIGAN INSURANCE CODE OF 1956, AS AMENDED) JACKSON. NOTEHOLDERS CAN LOOK ONLY TO THE ASSETS OF THE APPLICABLE SERIES TRUST FOR PAYMENT UNDER THE NOTES; NOTEHOLDERS WILL HAVE NO DIRECT RIGHT OF ACTION AGAINST JACKSON FOR PAYMENT UNDER THE NOTES. COMPLETE FINANCIAL STATEMENTS WITH RESPECT TO THE TRUST WILL BE AVAILABLE UPON WRITTEN REQUEST TO THE TRUSTEE, THE PRINCIPAL PAYING AGENT AND, FOR NOTES ADMITTED TO TRADING ON THE REGULATED MARKET OF THE IRISH STOCK EXCHANGE, TO THE IRISH PAYING AGENT.

BECAUSE EACH SERIES OF NOTES WILL BE SECURED BY ONE OR MORE FUNDING AGREEMENTS ISSUED BY A LIFE INSURANCE COMPANY, THERE IS A RISK THAT IF THE NOTES WERE DEEMED TO BE CONTRACTS OF INSURANCE, THE TRANSFER OF THE NOTES COULD SUBJECT THE PARTIES TO SUCH TRANSFER TO REGULATION UNDER THE INSURANCE LAWS OF THE JURISDICTIONS IMPLICATED BY THE TRANSFER. AMONG OTHER THINGS, IF THE NOTES WERE DEEMED TO BE CONTRACTS OF INSURANCE, THE ABILITY OF A NOTEHOLDER TO SELL THE NOTES IN SECONDARY MARKET TRANSACTIONS OR OTHERWISE COULD BE SUBSTANTIALLY IMPAIRED AND, THE EXTENT OF ANY SUCH SALES COULD BE AFFECTED, THE PROCEEDS REALIZED FROM SUCH SALE OR TRANSFER COULD BE MATERIALLY AND ADVERSELY AFFECTED. SEE “RISK FACTORS.”

THE NOTES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR ANY STATE OR FOREIGN SECURITIES LAWS AND, UNLESS SO REGISTERED, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR FOREIGN SECURITIES LAWS. ACCORDINGLY, THE NOTES WILL BE OFFERED AND SOLD ONLY (A) TO QUALIFIED INSTITUTIONAL BUYERS (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND (B) IN “OFFSHORE TRANSACTIONS” TO PERSONS OTHER THAN “U.S. PERSONS” (WITHIN THE MEANING OF REGULATION S UNDER THE SECURITIES ACT). SEE “PURCHASE AND TRANSFER RESTRICTIONS.” NOTES SOLD PURSUANT TO REGULATION S MAY NOT BE OFFERED OR RESOLD IN THE UNITED STATES OR TO “U.S. PERSONS” UNTIL THE RELEASE DATE, AND THEREAFTER SUCH NOTES MAY ONLY BE RESOLD IN THE UNITED STATES TO QUALIFIED INSTITUTIONAL BUYERS OR OUTSIDE OF THE UNITED STATES, PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT. SEE “PLAN OF DISTRIBUTION.” REGISTERED NOTES MAY NOT BE EXCHANGED FOR BEARER NOTES. NEITHER THE TRUST NOR ANY SERIES TRUST WILL BE REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED.

THE NOTES ISSUED AS BEARER NOTES (AS DEFINED HEREIN) ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS.

NOTWITHSTANDING ANYTHING EXPRESSED OR IMPLIED TO THE CONTRARY IN THIS OFFERING MEMORANDUM, EACH PROSPECTIVE PURCHASER, AND EACH OF THEIR EMPLOYEES, REPRESENTATIVES AND AGENTS ARE HEREBY EXPRESSLY AUTHORIZED TO DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE U.S. TAX TREATMENT AND U.S. TAX STRUCTURE OF THE TRANSACTIONS CONTEMPLATED BY THIS OFFERING MEMORANDUM AND ALL MATERIALS OF ANY KIND (INCLUDING OPINIONS OR OTHER TAX ANALYSES) THAT ARE PROVIDED TO ANY SUCH PERSONS RELATING TO SUCH U.S. TAX TREATMENT AND U.S. TAX STRUCTURE; PROVIDED, THAT ANY SUCH DISCLOSURE OF THE U.S. TAX TREATMENT AND U.S. TAX STRUCTURE AND MATERIALS RELATED THERETO MAY NOT BE MADE (I) IN A MANNER THAT WOULD CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY THE SECURITIES OFFERED HEREIN UNDER APPLICABLE SECURITIES LAWS OR (II) WHEN NONDISCLOSURE IS REASONABLY NECESSARY TO COMPLY WITH APPLICABLE SECURITIES

LAWS. THIS AUTHORIZATION OF TAX DISCLOSURE IS RETROACTIVELY EFFECTIVE TO THE COMMENCEMENT OF THE FIRST DISCUSSIONS BETWEEN THE OFFEROR AND THE PROSPECTIVE PURCHASER REGARDING THE TRANSACTIONS CONTEMPLATED HEREIN.

EACH OFFERING OF THE NOTES WILL BE MADE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT FOR AN OFFER AND SALE OF SECURITIES WHICH DOES NOT INVOLVE A PUBLIC OFFERING. EACH PURCHASER OF NOTES OFFERED HEREBY (TOGETHER WITH THE RELEVANT FINAL TERMS) IN MAKING ITS PURCHASE WILL BE DEEMED TO HAVE MADE CERTAIN ACKNOWLEDGMENTS, REPRESENTATIONS, WARRANTIES, AND AGREEMENTS AS SET FORTH UNDER “PURCHASE AND TRANSFER RESTRICTIONS.”

THE INITIAL PURCHASERS WILL NOT BE UNDER ANY OBLIGATION TO MAKE A MARKET IN THE NOTES AND, TO THE EXTENT THAT ANY SUCH MARKET MAKING IS COMMENCED, IT MAY BE DISCONTINUED AT ANY TIME. FURTHER, THE NOTES WILL BE SUBJECT TO SUBSTANTIAL RESTRICTIONS ON TRANSFER AS SET FORTH UNDER “PURCHASE AND TRANSFER RESTRICTIONS.” ACCORDINGLY, THERE IS NO ASSURANCE THAT A SECONDARY MARKET WILL DEVELOP OR, IF IT DOES DEVELOP, THAT IT WILL PROVIDE NOTEHOLDERS WITH THE LIQUIDITY OF INVESTMENT OR THAT IT WILL CONTINUE UNTIL THE MATURITY OF THE NOTES. PROSPECTIVE INVESTORS SHOULD PROCEED ON THE ASSUMPTION THAT THEY MAY HAVE TO BEAR THE ECONOMIC RISK OF AN INVESTMENT IN THE NOTES UNTIL MATURITY.

EACH OF THE TRUST AND JACKSON HAS UNDERTAKEN, IN CONNECTION WITH THE ADMISSION TO TRADING OF THE NOTES ON THE REGULATED MARKET OF THE IRISH STOCK EXCHANGE, THAT IF THERE SHALL OCCUR ANY ADVERSE CHANGE IN THE BUSINESS OR FINANCIAL POSITION OF THE TRUST OR JACKSON OR ANY CHANGE IN THE INFORMATION SET OUT UNDER “DESCRIPTION OF THE NOTES” THAT IS MATERIAL IN THE CONTEXT OF ISSUANCE OF NOTES UNDER THE PROGRAM OR IN THE EVENT THAT THERE IS A SIGNIFICANT NEW FACTOR, MATERIAL MISTAKE OR INACCURACY RELATING TO INFORMATION CONTAINED IN THE OFFERING MEMORANDUM WHICH IS CAPABLE OF AFFECTING THE ASSESSMENT OF NOTES UNDER THE PROGRAM, THE TRUST WILL PREPARE OR PROCURE THE PREPARATION OF, AND MAKE AVAILABLE, AN AMENDMENT OR SUPPLEMENT TO THIS OFFERING MEMORANDUM OR PUBLISH A NEW OFFERING MEMORANDUM, AS THE CASE MAY BE, FOR USE IN CONNECTION WITH ANY SUBSEQUENT ISSUE BY THE TRUST OF NOTES TO BE ADMITTED TO TRADING ON THE REGULATED MARKET OF THE IRISH STOCK EXCHANGE AND SHALL SUPPLY TO EACH INITIAL PURCHASER SUCH NUMBER OF COPIES OF SUCH DOCUMENT AS SUCH INITIAL PURCHASER MAY REASONABLY REQUEST.

THIS OFFERING MEMORANDUM SHOULD BE READ AND CONSTRUED IN ACCORDANCE WITH ANY AMENDMENT OR SUPPLEMENT HERETO, AND, IN RELATION TO ANY NOTES, SHOULD BE READ AND CONSTRUED IN ACCORDANCE WITH THE RELEVANT FINAL TERMS.

THIS OFFERING MEMORANDUM IS BEING FURNISHED SOLELY FOR THE PURPOSE OF ENABLING PROSPECTIVE INVESTORS TO CONSIDER THE PURCHASE OF THE NOTES. ITS USE FOR ANY OTHER PURPOSE IS NOT AUTHORIZED. NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY JACKSON, THE TRUST OR ANY SERIES TRUST AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION IN THIS OFFERING MEMORANDUM (INCLUDING ANY AMENDMENT OR SUPPLEMENT HERETO) AS OF ANY DATE AFTER THE DATE OF THIS OFFERING MEMORANDUM (OR ANY AMENDMENT OR SUPPLEMENT HERETO).

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY THE INITIAL PURCHASERS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH HEREIN, AND NOTHING CONTAINED IN THIS OFFERING MEMORANDUM IS, OR SHALL BE RELIED UPON AS, A PROMISE OR REPRESENTATION, WHETHER AS TO THE PAST OR THE FUTURE. THE INITIAL PURCHASERS HAVE NOT INDEPENDENTLY VERIFIED ANY OF SUCH INFORMATION AND ASSUME NO RESPONSIBILITY FOR ITS ACCURACY OR COMPLETENESS.

THE NOTES HAVE NOT BEEN RECOMMENDED OR APPROVED BY ANY FEDERAL, STATE OR FOREIGN SECURITIES COMMISSION OR SECURITIES REGULATORY AUTHORITY OR ANY INSURANCE OR OTHER REGULATORY BODY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT REVIEWED THIS OFFERING MEMORANDUM OR CONFIRMED OR DETERMINED THE ADEQUACY OR ACCURACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE TRUST ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM AND CONFIRMS THAT THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM, INCLUDING ANY SUPPLEMENT HERETO, IS, TO THE BEST OF ITS KNOWLEDGE AND BELIEF, IN ACCORDANCE WITH THE FACTS AND CONTAINS NO OMISSION LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION, HAVING TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE.

THE ASSETS OF THE RELEVANT SERIES TRUST, INCLUDING THE UNDERLYING FUNDING AGREEMENT(S), ARE THE SOLE SOURCE OF DISTRIBUTIONS ON THE RELEVANT SERIES OF NOTES. EXCEPT AS OTHERWISE PROVIDED HEREIN OR IN THE RELEVANT FINAL TERMS, THE NOTES DO NOT REPRESENT AN OBLIGATION OF, AND ARE NOT INSURED OR GUARANTEED BY, JACKSON, THE TRUST, ANY TRUSTEE, ANY INITIAL PURCHASER OR ANY OF THEIR RESPECTIVE AFFILIATES. EACH PURCHASER OF A NOTE, BY SUCH PURCHASE, SHALL BE DEEMED TO HAVE ACKNOWLEDGED THAT NEITHER THE RELEVANT SERIES TRUST, JACKSON, THE TRUST, ANY TRUSTEE, ANY INITIAL PURCHASER, NOR ANY PERSON ACTING ON BEHALF OF THE RELEVANT SERIES TRUST, THE TRUST, JACKSON, ANY TRUSTEE OR ANY INITIAL PURCHASER HAS MADE ANY REPRESENTATION CONCERNING THE RELEVANT FUNDING AGREEMENT, THE SERIES TRUST, THE TRUST, THE NOTES OR THE OFFER AND SALE OF THE NOTES, EXCEPT AS SET FORTH OR PROVIDED IN THIS OFFERING MEMORANDUM.

## **PRESENTATION OF FINANCIAL INFORMATION**

The financial information contained in this Offering Memorandum is based on the (i) audited statutory financial statements of Jackson as of and for the periods ended December 31, 2013 and 2012 and (ii) unaudited statutory financial statements as of June 30, 2014 and for the six months ended June 30, 2014 and 2013 (including the notes thereto, the “**Statutory Financial Statements**”).

The Statutory Financial Statements were prepared in conformity with the statutory accounting practices (“**SAP**”) prescribed or permitted by the Michigan Department of Insurance and Financial Services (the “**DIFS**”). SAP differs in certain respects, which in some cases may be material, from accounting principles generally accepted in the United States of America (“**U.S. GAAP**”) and international financial reporting standards (“**IFRS**”). See “Summary of Principal Differences Between Statutory Accounting Principles and U.S. GAAP” for a summary of significant differences between SAP and U.S. GAAP and “Summary of Principal Differences Between Statutory Accounting Principles and IFRS” for a summary of significant differences between SAP and IFRS.

## **DOCUMENTS INCORPORATED BY REFERENCE**

The following document, which has previously been filed with the Central Bank of Ireland, shall be deemed to be incorporated in, and to form part of, this Offering Memorandum:

- page 149 of the annual report of Prudential plc (“**Prudential UK**”) for the financial year ended December 31, 2013 (the “**Prudential Annual Report**”),

save that any statement contained in this Offering Memorandum or in the Prudential Annual Report may be deemed to be modified or superseded for the purpose of this Offering Memorandum to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Memorandum.

Any documents and/or information themselves incorporated by reference in the Prudential Annual Report shall not form part of this Offering Memorandum.

Any non-incorporated parts of a document referred to herein are either not relevant for an investor or are otherwise covered elsewhere in this Offering Memorandum.

Copies of the Prudential Annual Report may be obtained by visiting Prudential UK's website at <http://www.prudential.co.uk/investors/financial-reports/reports/2013>.

Where reference is made to a website in this Offering Memorandum, the contents of that website do not form part of this Prospectus.



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## OVERVIEW OF THE PROGRAM

*The following is a brief description only and should be read in conjunction with the rest of this Offering Memorandum, any amendments or supplements hereto, and, in relation to the Notes of any Series, in conjunction with the relevant Final Terms and, to the extent applicable, the Description of the Notes set out herein.*

<b>Trust</b> .....	Jackson National Life Global Funding, a special purpose statutory trust organized in series under Delaware law pursuant to the Master Trust Agreement, dated as of April 24, 2001 (as amended or supplemented from time to time, the “ <b>Master Trust Agreement</b> ”), between the Depositor and the Administrative Trustee (as defined herein) and the filing of a certificate of trust (the “ <b>Certificate of Trust</b> ”) with the Delaware Secretary of State on April 24, 2001.
<b>Series Trust</b> .....	The Trust, with respect to a series of the Trust specified as the Series Trust in the relevant Final Terms.
<b>Funding Agreement Provider</b> .....	Jackson National Life Insurance Company, a Michigan stock life insurance company.
<b>Initial Purchasers</b> .....	UBS Securities LLC, UBS Limited, Barclays Capital Inc., Barclays Bank PLC, Citigroup Global Markets Inc., Credit Suisse Securities (USA) LLC, Credit Suisse Securities (Europe) Limited, Deutsche Bank Securities Inc., Deutsche Bank AG, London Branch, Goldman, Sachs & Co., HSBC Securities (USA) Inc., HSBC Bank plc, J.P. Morgan Securities LLC, Jefferies LLC, Jefferies International Limited, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Merrill Lynch International, Morgan Stanley & Co. LLC, U.S. Bancorp Investments, Inc., Wells Fargo Securities, LLC and any other entity identified as such in the relevant Final Terms.
<b>Indenture Trustee</b> .....	Citibank, N.A.
<b>Principal Paying Agent, Registrar and Transfer Agent</b> .....	Citibank, N.A.
<b>Irish Paying Agent</b> .....	Citibank International plc
<b>Irish Listing Agent</b> .....	Arthur Cox Listing Services Limited
<b>Administrative Trustee</b> .....	Wilmington Trust Company, a Delaware corporation with its principal place of business in the State of Delaware, will be the sole administrative trustee of the Trust and each Series Trust and will be the resident trustee of the Trust and each Series Trust solely for purposes of complying with Section 3807 of the Delaware Statutory Trust Act, maintaining the office of the Trust in Delaware and accepting service of process for the Trust in Delaware. The Administrative Trustee will not be obligated in any way to make payments under or in respect of the Notes. The Administrative Trustee has not participated in the

	preparation of this Offering Memorandum.												
<b>Custodian</b> .....	Citibank, N.A., London Branch												
<b>Common Depositary</b> .....	The Notes will be registered in the nominee name of a common depository.												
<b>Depositor</b> .....	GSS Holdings II, Inc.												
<b>Ratings</b> .....	<p>Ratings of Jackson:</p> <table><tr><td>(i)</td><td>A.M. Best:</td><td>A+</td></tr><tr><td>(ii)</td><td>Fitch:</td><td>AA</td></tr><tr><td>(iii)</td><td>Moody's:</td><td>A1</td></tr><tr><td>(iv)</td><td>S &amp; P:</td><td>AA</td></tr></table> <p>The foregoing ratings reflect each of the respective rating agency's opinion of Jackson's financial strength, operating performance and ability to meet its obligations to policyholders and are not evaluations directed toward the protection of investors.</p>	(i)	A.M. Best:	A+	(ii)	Fitch:	AA	(iii)	Moody's:	A1	(iv)	S & P:	AA
(i)	A.M. Best:	A+											
(ii)	Fitch:	AA											
(iii)	Moody's:	A1											
(iv)	S & P:	AA											
<b>Authorized Program Amount</b> .....	U.S. \$12,000,000,000. For this purpose, any Notes denominated in another currency shall be translated into U.S. Dollars at the date of the relevant terms agreement (each, a " <b>Terms Agreement</b> ") using the spot rate of exchange for the purchase of such currency against payment of U.S. Dollars being quoted by the relevant paying agent (each, a " <b>Paying Agent</b> ") on such date or such other rate as the relevant Series Trust and the relevant Paying Agent may agree. The Authorized Program Amount may be increased from time to time, subject to compliance with the relevant provisions of the Second Amended and Restated Purchase Agreement by and among the Trust, Jackson and the Initial Purchasers, dated as of August 20, 2013 (as amended or supplemented from time to time, the " <b>Purchase Agreement</b> ").												
<b>The Notes</b> .....	<ul style="list-style-type: none"><li>• The Notes are considered to be asset backed securities for the purposes of the Prospectus Directive.</li><li>• Principal and interest payments, if any, on any series of Notes will be made solely from the proceeds of one or more Funding Agreements purchased with respect to such series of Notes.</li><li>• The Notes may be interest bearing or non-interest bearing. The Notes may bear interest at either a fixed rate or a floating rate, as specified in the applicable Final Terms.</li><li>• Interest, if any, will be payable on the dates specified in the applicable Final Terms.</li><li>• Subject to the provisions of the applicable Final Terms,</li></ul>												

the Notes may be callable by the Series Trust.

- Payments of principal and/or interest on the Notes may be linked to currency prices, commodity prices, single securities, baskets of securities or indices.
- A Series Trust may issue amortizing Notes that pay a level amount in respect of both interest and principal amortized over the life of the Note, if specified in the applicable Final Terms.
- The Notes initially will be held in global form by the Depositary or Common Depositary for DTC, Euroclear or Clearstream.
- The Notes are not and will not be insurance contracts, insurance policies or funding agreements.
- The Notes are not and will not be obligations of Jackson or any other insurance company or affiliate of Jackson.
- The Notes will not benefit from any insurance guaranty fund coverage or any similar protection.
- The Notes of a particular series will be issued by the Trust through a particular Series Trust and such Notes will not be the obligation of any other Series Trust. See “Description of the Notes.”
- The Notes will be direct, unsubordinated obligations of the relevant Series Trust, secured by the applicable Funding Agreement and all other property comprising the Pledged Estate (See “Description of the Indenture – Pledged Estate”) and rank *pari passu* among themselves and with all other secured and unsubordinated obligations of such relevant Series Trust (other than any obligations preferred by statute or by operation of law).

**Forms of the Notes .....**

Each series of Notes will be issued in either fully registered or, subject to U.S. tax requirements, bearer form. Rule 144A Notes will be offered only as Registered Notes and, subject to the provisions of the applicable Final Terms, will be initially represented by one or more Permanent Global Registered Notes registered in the name of the Rule 144A Nominee as nominee of, and deposited with the Custodian as custodian for, DTC. (Each Permanent Global Registered Note representing Rule 144A Notes is referred to as a Rule 144A Global Note). Subject to the provisions of the applicable Final Terms, each series of Registered Notes offered and sold outside the United States in reliance on Regulation S (“**Regulation S Notes**”) will initially be represented by one or more Regulation S Temporary Global Registered Notes registered in the name of the Regulation S

Nominee as nominee of, and deposited with the Common Depository as common depository for Euroclear and/or Clearstream (or such other relevant clearing system specified in the applicable Final Terms). Subject to the provisions of the applicable Final Terms, each series of Bearer Notes offered and sold outside the United States in reliance on Regulation S will initially be treated as “registered” for U.S. federal income tax purposes and will be represented by a Regulation S Temporary Global Bearer Note and deposited on the issue date therefor with the Common Depository, as depository for Euroclear and/or Clearstream, or other relevant clearing system. Each Regulation S Temporary Global Registered Note and Regulation S Temporary Global Bearer Note will be exchangeable for a permanent global Registered Note or a permanent global Bearer Note, respectively, beginning after the later of (i) the Release Date (as defined herein) and (ii) the first date on which requisite certifications as to non-U.S. beneficial ownership of the relevant Notes ownership are provided to the relevant Paying Agents. The “**Release Date**” is the date 40 days after the later of (i) the date the relevant Notes were first offered to persons other than Initial Purchasers and (ii) the relevant closing date for the Notes. Subject to certain restrictions, (i) an interest in a Rule 144A Global Note may be exchanged for Definitive Registered Notes; (ii) an interest in a Regulation S Temporary Global Registered Note may be exchanged for an interest in a Regulation S Permanent Global Registered Note or Definitive Registered Notes; and (iii) a Regulation S Permanent Global Bearer Note may be exchanged for (if so specified in the relevant Final Terms) Registered Notes. Registered Notes may not be exchanged for Bearer Notes. See “Description of the Notes—Global Notes.”

#### Currencies and Denominations .....

The Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of the Notes may be made in and/or linked to any currency or currencies other than the currency in which such Notes are denominated, subject to compliance as aforesaid.

Each Series of Notes will be issued in the denominations specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Subject to the provisions of the applicable Final Term(s) and as otherwise provided below, the Notes of a Series will be issued, with respect to U.S. dollar-denominated Notes, in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof. Any Series of Notes admitted to the Official List and to trading on the regulated market of the Irish Stock Exchange or listed on any other regulated market, or offered to the public in any Member State of the European Economic Area, in circumstances which require the publication of a prospectus under the Prospectus Directive will be issued in

minimum denominations of €100,000 or greater (or the equivalent thereof in another currency at the time of issue). The applicable Final Terms may provide that, for so long as any Series of Notes is represented by Global Registered Notes and Euroclear and Clearstream so permit, such Series of Notes shall be tradeable in minimum denominations of €100,000 and integral multiples of €1,000 thereafter (or the equivalent thereof in another currency at the time of issue). If a Global Registered Note is exchanged for a Definitive Registered Note at the option of the relevant Noteholders, the Notes shall be issued and tradeable only in principal amounts of at least €100,000.

Any Notes in respect of which the issue proceeds are received by the Series Trust in the United Kingdom and which have a maturity of less than one year must (a) (i) have a minimum denomination of £100,000 (or its equivalent in other currencies), and (ii) be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the Financial Services and Markets Act 2000 (the “FSMA”) by the Trust.

**Interest**.....

Interest bearing Notes may bear interest at a fixed rate (“**Fixed Rate Notes**”) or a floating rate (“**Floating Rate Notes**”).

Each Fixed Rate Note will bear interest from the date of issuance at the annual rate stated on the face thereof until the principal thereof is paid or made available for payment. Subject to the provisions of the applicable Final Terms, such interest will be computed on the basis of a 360-day year of twelve 30-day months.

Each Floating Rate Note will bear interest from the date of issuance until the principal thereof is paid or made available for payment at a rate determined by reference to an interest rate or interest rate formula (the “**Base Rate**”), which may be adjusted by a Spread and/or Spread Multiplier (each as defined under “Description of the Notes”). The relevant Final Terms will designate one or more of the following Base Rates, along with the Index Maturity (as defined under “Description of the Notes”) of such Base Rate, as applicable to each Floating Rate Note:

- the CD rate (a “**CD Rate Note**”),
- the Constant-Maturity Treasury Rate (a “**CMT Rate Note**”),

	<ul style="list-style-type: none"> <li>the commercial paper rate (a “<b>Commercial Paper Rate Note</b>”),</li> <li>EURIBOR (a “<b>EURIBOR Note</b>”),</li> <li>the federal funds rate (a “<b>Federal Funds Rate Note</b>”),</li> <li>LIBOR (a “<b>LIBOR Note</b>”),</li> <li>the prime rate (a “<b>Prime Rate Note</b>”), or</li> <li>the Treasury rate (a “<b>Treasury Rate Note</b>”).</li> </ul> <p>The “<b>Index Maturity</b>” is the period of maturity of the instrument or obligation from which the Base Rate is calculated.</p>
<b>Clearing Systems</b> .....	DTC, Euroclear, Clearstream and/or, in relation to any Notes, any other clearing system as may be specified in the relevant Final Terms.
<b>Indenture</b> .....	Each series of Notes will be issued under, subject to and entitled to the benefits of a separate Series Indenture (as amended, modified or supplemented from time to time, the “ <b>Series Indenture</b> ”) by and between the relevant Series Trust and Indenture Trustee (in such capacity, together with any successors, the “ <b>Indenture Trustee</b> ”). Each Series Indenture will incorporate the Second Amended and Restated Indenture, dated September 5, 2014 (as amended or supplemented from time to time, the “ <b>Indenture</b> ”), which shall provide the terms which govern each Series Indenture thereunder, unless any such Series Indenture specifies otherwise. The Notes issued under a Series Indenture will constitute a single series, together with any Notes issued in the future under such Series Indenture that are designated by the Series Trust as being part of such series. See “Description of the Indenture.”
<b>Pledged Estate</b> .....	Under each Series Indenture, the Notes will be secured by a “ <b>Pledged Estate</b> ” which will consist of the relevant Funding Agreement owned by the Series Trust, all proceeds thereof and all rights related thereto.
<b>Funding Agreements</b> .....	<p>Funding agreements are unsecured obligations of insurance companies.</p> <p>Under Section 500.8142 of the Michigan Insurance Code, in the event of an insolvency of a Michigan domestic insurance company, the claims of holders of funding agreements rank <i>pari passu</i> with the claims of policyholders, and in a superior position to general creditors. Thus, in the event of an insolvency of Jackson, the claims of each Series Trust under each relevant Funding Agreement will rank <i>pari passu</i> with policyholders of Jackson in a position superior to general creditors of Jackson. See “Description of Certain</p>

	<p>Terms and Conditions of the Funding Agreements.”</p> <p>Each series of Notes will be secured by all of the Funding Agreements issued by Jackson in respect of the tranches of Notes comprising such series of Notes.</p>
<b>No Guarantee .....</b>	<p>Neither the Trust nor any Series Trust is an affiliate or subsidiary of Jackson. The obligations of each Series Trust evidenced by the Notes will not be guaranteed by any person, including, but not limited to, Jackson, any of its parent companies, or any of its or their respective subsidiaries or affiliates. The obligations of Jackson under any Funding Agreement will not be guaranteed by any person, including, but not limited to, its parent companies or any of its or their respective subsidiaries or affiliates.</p>
<b>Transfer Restrictions .....</b>	<p>The Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except as described under “Purchase and Transfer Restrictions.” In addition, because the primary asset of each Series Trust will be one or more Funding Agreements issued by a life insurance company, there is a risk that a state insurance regulatory authority could take the position that the transfer of the Notes subjects the parties to regulation under the insurance laws of such jurisdictions. Any such determination could affect the transferability of, and market for, the Notes. See “Risk Factors.”</p> <p>Bearer Notes are subject to U.S. tax law requirements.</p>
<b>Employee Benefit Plan Considerations .....</b>	<p>Prospective purchasers of the Notes must carefully consider the restrictions on purchase set forth under “Purchase and Transfer Restrictions” and “Employee Benefit Plan Considerations.”</p>
<b>United States Federal Taxation .....</b>	<p>Jackson will agree with each Series Trust to treat each Funding Agreement as indebtedness on which interest and principal is payable for U.S. federal and state income tax purposes. The Noteholders will similarly agree, by their purchase of the Notes, with each Series Trust to treat the Notes as debt of Jackson for U.S. federal and state income tax purposes. See “Taxation—United States Taxation” herein.</p>
<b>Payments of Additional Amounts .....</b>	<p>All payments in respect of the Notes will be made free and clear of and without withholding or deduction for, or on account of, any present or future taxes, duties, levies, assessments or other governmental charges of whatever nature imposed or levied by or on behalf of the United States or any political subdivision thereof or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, levies, assessments or other governmental charges is required by law. If any such withholding or deduction is required, then the Series Trust will, subject to certain exceptions set out in full herein, pay such additional amounts so that the net</p>



amounts received by the Noteholders will equal the amounts that the Noteholders would have received had no such deduction or withholding been required. Jackson pursuant to the relevant Funding Agreement will pay to the Series Trust an amount equal to any such additional amounts actually paid (or to be paid concurrently) by the Series Trust. The Series Trust is required to redeem the Notes of the relevant Series as provided herein if Jackson exercises its right to terminate the Funding Agreement related to such relevant Series, in each case upon the occurrence of certain tax events.

Jackson will agree in each Funding Agreement that payments in respect of such Funding Agreement shall be made to the Series Trust free and clear of and without withholding or deduction for, or on account of, any present or future taxes, duties, levies, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any governmental authority in the United States having the power to tax, unless such withholding or deduction is required by law. If any such withholding or deduction is or will be required, then Jackson, under the relevant Funding Agreement, will subject to certain exceptions set out in full herein, pay such additional amounts so that the net amounts received by the Series Trust will equal the amounts that the Series Trust would have received had no such deduction or withholding been required.

In addition, Jackson has certain rights to terminate the Funding Agreement in each case upon the occurrence of certain tax events.

**Admission to trading .....**

Application has been made to the Irish Stock Exchange for Notes issued under the Program during the period of 12 months from the date of this Offering Memorandum to be admitted to the Official List and to trading on its regulated market. However, Notes may also be (i) listed on any other regulated market, (ii) listed on a securities exchange which is not a regulated market or (iii) not listed on any regulated market or any other securities exchange. Each applicable Final Terms will indicate whether or not the Notes of that Series will be listed, and if the Notes will be listed, on which securities exchange. Notes with a maturity of less than 12 months will not be listed.

This Offering Memorandum comprises a base prospectus for the purposes of the Prospectus Directive.

If a European or national legislation is adopted and is implemented or takes effect in Ireland in a manner that would require the Trust and/or Jackson to publish or produce its financial statements according to accounting principles or standards that are different from, in the case of the Trust, U.S. GAAP or, in the case of Jackson, SAP, or that would otherwise impose requirements on the Trust that

the Trust and the applicable Initial Purchasers in good faith determine are not reasonable, the Trust may de-list any Notes admitted to trading on the regulated market of the Irish Stock Exchange. The Trust will use its reasonable best efforts to obtain an alternative admission to listing, trading and/or quotation for the Notes by another listing authority, exchange and/or system, within or outside the European Union, as it may decide. If such an alternative admission is not available to the Trust, or, in the opinion of the Trust, cannot reasonably be effected or maintained, an alternative admission may not be obtained. Notice of any de-listing and/or alternative admission will be given as described in the Description of the Notes.

**Governing Law .....**

The Notes, the Indenture and the relevant Series Indentures will be governed by, and construed in accordance with, the laws of the State of New York, except as required by mandatory provisions of law and except to the extent that the validity or perfection of a Series Trust's ownership of and security interest in the relevant Funding Agreement or remedies under the Indenture and relevant Series Indenture in respect thereof may be governed by the laws of a jurisdiction other than the State of New York. The Master Trust Agreement and each Series Trust Agreement will be governed by, and construed in accordance with, the laws of the State of Delaware.

## **RISK FACTORS**

*Prospective purchasers of the Notes should carefully review the information contained elsewhere in this Offering Memorandum and any Final Terms and should particularly consider the following matters.*

### **Risk Factors Relating to the Notes and the Trust**

*The Notes are Non-Recourse Obligations of the Relevant Series Trust; Absence of Operating History of the Series Trusts*

The obligations of the relevant Series Trust under the Notes, the Indenture and the relevant Series Indenture are payable only from the related Pledged Estate of such Series Trust. The Trust's primary business purpose is the issuance of the Notes, the purchase of the related Funding Agreements and engaging in activities incidental thereto, in each case through Series Trusts. Each Series Trust will be newly formed and will have no operating history at the time the Notes of such Series are issued. If any Event of Default (as defined herein) shall occur under any series of Notes, the rights of the Noteholders of such Series and the Indenture Trustee on behalf of such Noteholders will be limited to a proceeding against the relevant Pledged Estate for such series of Notes and none of such Noteholders or the Indenture Trustee on behalf of such Noteholders will have the right to proceed against the Pledged Estate of any other series of Notes in the case of any deficiency judgment remaining after foreclosure of any property included in such Pledged Estate. All claims of the Noteholders of a series of Notes in excess of amounts received by the relevant Series Trust under the related Funding Agreements, and related Pledged Estate will be extinguished.

*Limited Resources of Each Series Trust; Issuance of the Notes in Series*

The net worth of each Series Trust upon the issuance of a series of Notes by such Series Trust will be approximately US\$100.00. The net worth of such Series Trust is not expected to increase materially. The ability of the relevant Series Trust to make timely payments on the Notes is entirely dependent upon Jackson making the related payments under the relevant Funding Agreements when due. The Trust is a statutory trust, which was created for the purpose of, *inter alia*, issuing the Notes, and is authorized to issue the Notes in series through separate Series Trusts. Each series of Notes will be secured primarily by one or more separate Funding Agreements. No series of Notes will have any right to receive payments under a Funding Agreement related to any other series of Notes.

The Notes are not obligations of, and are not guaranteed by Jackson or any of its respective affiliates. None of these entities nor any agent, trustee or beneficial owner of the Trust or the Series Trust are under any obligation to provide funds or capital to the Trust or any Series Trust.

*Payment of Certain Expenses Prior to Payments Under the Notes Following Event of Default*

Any funds collected by the Indenture Trustee following an Event of Default (as defined herein), and any funds that may then be held or thereafter received by the Indenture Trustee as security with respect to the Notes of any Series will be applied first to the payment of certain costs and expenses of the Indenture Trustee in an aggregate amount of no more than \$500,000 (the "**Priority Payments**") for all Series of Notes outstanding. The funds will next be applied to the payment of the amounts then due and unpaid on the Notes of such Series. Any remaining balance thereafter will be applied to the payment of any other Secured Obligations (as defined in the Indenture) then due and owing on the Notes of such Series. Any remaining balance is intended to be paid to the applicable Series Trust, its successors or assigns or other person lawfully entitled to receive the same. The amounts remaining after the payment of the Priority Payments may be insufficient to satisfy in full the payment obligations the Series Trust has to the Noteholders of a particular Series following the occurrence of an Event of Default.

*An Event of Default Under a Series of Notes May Not Constitute an "Event of Default" Under the Applicable Funding Agreement(s)*

Any event of default under any Funding Agreement will constitute an Event of Default under the related Series of Notes and will cause the principal of all of the Notes of such Series, any interest accrued thereon and any

other amounts payable on the Notes of such Series to become immediately due and payable. Under certain limited circumstances, however, an Event of Default under a Series of Notes, such as, for example, the failure by the Series Trust to observe or perform certain covenants contained in the Notes of a Series, in the Indenture or in the applicable Series Indenture, may not constitute an event of default under the applicable Funding Agreement(s). In such case, it is possible that the obligations of the Trust under any Series of Notes may be accelerated while the obligations of Jackson under the applicable Funding Agreement(s) may not be similarly accelerated. If this occurs, the Indenture Trustee may have no or limited ability to proceed against the applicable Pledged Estate and Noteholders may not be paid in full or in a timely manner upon such acceleration. See “Description of the Indenture—Events of Default” and “Description of Certain Terms and Conditions of the Funding Agreements—Events of Default under Funding Agreements” in this Offering Memorandum.

### *Insurance Regulatory Risks*

The laws and regulations of each state of the United States and of foreign jurisdictions contain broad definitions of the activities that may constitute the conduct of the business of insurance or reinsurance in such jurisdictions.

Willkie Farr & Gallagher LLP advised in a memorandum dated August 20, 2013 with regard to insurance matters that neither the Trust nor any persons selling or purchasing the Notes should be subject to regulation as doing an insurance business in any state of the United States or the District of Columbia by virtue of the offer, sale and/or purchase of the Notes. This advice is based upon interpretations (either written or oral) received as of specified dates from the staff of the insurance regulatory body or from local counsel in each of the states of the United States and is subject to the considerations described below. These interpretations from insurance regulatory bodies and local counsel were obtained in connection with structures which raise some of the same issues as those presented by the Notes. These oral and written interpretations from state insurance regulatory bodies were based on general descriptions of the issuance of funding agreements to back instruments such as the Notes and were not specifically based on the Program or the Notes.

Information specifically relating to the Program and/or the Notes which was not disclosed to insurance regulators could be considered material by such regulators and, had such factual information been disclosed, could have resulted in different guidance or advice from such regulators. Based on these oral and written interpretations and local counsel opinions and subject to such other considerations as are set forth in its memorandum, Willkie Farr & Gallagher LLP believes that (i) the Notes should not be subject to regulation as participations in the Funding Agreements themselves or otherwise constitute insurance contracts and (ii) the Trust and any persons offering, selling or purchasing the Notes should not be subject to regulation as doing an insurance business by virtue of their activities in connection with the offer, sale and/or purchase of the Notes.

The Arkansas Insurance Department has stated that it would not encourage any Arkansas domestic insurer to purchase investment products such as the Notes. In addition, the Indiana Insurance Department has stated that Indiana domestic insurers should contact the Indiana Insurance Department before purchasing any instruments such as the Notes.

All written or oral communications with insurance regulatory bodies reflect only the interpretation of the staff of such regulatory bodies with respect to the laws and regulations of their respective jurisdictions, and do not purport to be, nor should they be relied upon as, binding legal authority. Such interpretations and advice by local counsel may be subject to challenge in administrative or judicial proceedings.

Insurance regulatory authorities in the United States have broad discretionary powers to modify or withdraw regulatory interpretations, and such interpretations and the advice of local counsel received with respect to the laws of any particular state are not binding on a court or any third party and may be subject to challenge in administrative or judicial proceedings. In addition, such interpretations have not been obtained with respect to any foreign jurisdictions. There can be no assurance that such interpretations and advice will remain in effect, or that such interpretations would be given any effect by a court.

The Trust will not be registered or licensed as an insurance or reinsurance company in any jurisdiction. In the event it is determined that the Trust should have been licensed under the insurance laws of a jurisdiction in

connection with the issuance of the Notes, the Trust will be in violation of such laws or regulations and could be subject to the fines, penalties and other sanctions provided for therein. Such violation(s) would have a material adverse impact on the Trust's ability to meet its obligations under the Notes.

Similarly, if the Notes are deemed to be subject to regulation as participations in Funding Agreements or otherwise constitute contracts of insurance, there can be no assurance that Holders of the Notes who subsequently offer, sell, transfer or purchase Notes could not be found to be acting as insurance agents or brokers under the laws of certain jurisdictions or otherwise be subject to the applicable insurance laws. Acting without a required insurance agent or broker license or other violations of applicable insurance laws and regulations could subject such Holder of Notes to substantial civil and criminal fines and charges.

It is likely that if the Notes were to be deemed to be subject to regulation as participations in Funding Agreements or otherwise constitute contracts of insurance, the ability of the Holder to offer, sell or otherwise transfer the Notes in secondary market transactions or otherwise would be substantially impaired and, to the extent such offer, sale or transfer could be effected, the proceeds realized from such sale or transfer would be materially and adversely affected.

*No Previous Market for the Notes; Limited Liquidity of the Notes*

No previous market exists for the Notes and no assurances can be given that any market will develop with respect to the Notes. The Initial Purchasers are under no obligation to make a market in the Notes and to the extent that such market making is commenced, it may be discontinued at any time. There is no assurance that a secondary market will develop or, if it does develop, that it will provide Noteholders with liquidity of investment or that it will continue for any period of time. The Notes have not been and will not be registered under the Securities Act or any state or foreign securities law and transfers of the Notes are subject to substantial transfer restrictions. A Noteholder may not be able to liquidate its investment readily, and the Notes may not be readily accepted as collateral for loans. It is likely that if the Notes were to be deemed to be contracts of insurance, the ability of a Noteholder to offer, sell or transfer the Notes in a secondary market transaction or otherwise would be substantially impaired and, to the extent any such sale or transfer could be effected, the proceeds realized from such sale or transfer could be materially and adversely affected. Investors should proceed on the assumption that they may have to hold the Notes until the end of their scheduled term. See "Purchase and Transfer Restrictions."

*In Case of Any Redemption of the Notes, an Investor May Not be Able to Reinvest the Redemption Proceeds in a Security Offering Comparable Return*

Each Series Trust is required to redeem the Notes of the applicable Series as described herein if Jackson exercises its right to terminate the Funding Agreement(s) related to such Series upon the occurrence of certain tax events, including, without limitation, if Jackson is required to pay Additional Amounts. See "Description of the Notes—Tax Redemption".

In the event the Funding Agreement(s) related to a Series of Notes are terminated by Jackson, the applicable Series Trust would, in such event, redeem the Notes of such Series. In addition, if so specified in Final Terms related to the Notes of a Series, such Notes may be redeemable at the option of the Trust.

In case of any redemption of the Notes, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the Notes being redeemed. Jackson's termination right under the relevant Funding Agreement(s) also might adversely impact an investor's ability to sell the Notes.

If the Notes are redeemable at the option of the applicable Series Trust, such Series Trust may choose to redeem the Notes at times when prevailing interest rates are relatively low. In addition, if the Notes of a Series are subject to mandatory redemption, the applicable Series Trust may be required to redeem the Notes also at times when prevailing interest rates are relatively low. As a result, an investor generally will not be able to reinvest the redemption proceeds in a comparable security at an interest rate equal to the interest rate on the Notes being redeemed.

*Noteholders of Notes Below Certain Minimum Denominations May Not be Able to Receive Definitive Registered Notes and in Such Situations May Not Be Entitled to the Rights in Respect of Such Notes*

Any Notes admitted to trading on the Irish Stock Exchange or any other regulated market, or which are to be offered to the public in any Member State of the European Economic Area, will be issued in minimum denominations of €100,000 or greater (or the equivalent thereof in another currency at the time of issue) (the “**Specified Denominations**”). The applicable Final Terms may provide that, for so long as the Notes are represented by a Global Registered Note and Euroclear and Clearstream so permit, the Notes may be tradeable in minimum denominations of €100,000 and integral multiples of €1,000 thereafter (or the equivalent thereof in another currency at the time of issue), although if a Global Registered Note is exchanged for Definitive Registered Notes, at the option of the relevant Holder, the Notes shall be tradeable only in principal amounts of at least €100,000. In these circumstances, a Noteholder holding Notes having a nominal amount which cannot be represented by a Definitive Registered Note in the Specified Denomination will not be able to receive a Definitive Registered Note in respect of such Notes and will not be able to receive interest or principal or be entitled to vote in respect of such Notes. As a result, a Noteholder who holds Notes in Euroclear or Clearstream in an amount less than the Specified Denominations may need to purchase or sell, on or before the relevant date on which the Regulation S Temporary Global Registered Note or Regulation S Permanent Global Registered Note are to be exchanged for Definitive Registered Notes, a principal amount of Notes such that the Noteholders hold the Notes in an aggregate principal amount of at least the Specified Denominations.

*Foreign Currency Risks*

The information set forth below is directed to prospective purchasers who are United States residents. The Series Trust for each Series of Notes disclaims any responsibility to advise prospective purchasers who are residents of countries other than the United States of any matters arising under foreign law that may affect the purchase of or holding of, or receipt of payments on, the Notes. Such persons should consult legal and financial advisors concerning these matters.

An investment in a Note that is denominated or payable in, or the payment of which is linked to the value of, currencies other than U.S. dollars entails significant risks. These risks include the possibility of significant changes in rates of exchange between the U.S. dollar and the relevant foreign currencies and the possibility of the imposition or modification of exchange controls by either the U.S. or foreign governments. These risks generally depend on economic and political events over which the Series Trust and Jackson have no control.

In recent years, rates of exchange between U.S. dollars and some foreign currencies have been highly volatile, and this volatility may continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur during the term of any Note. Depreciation against the U.S. dollar of the currency in which a Note is payable would result in a decrease in the effective yield of the Note below its coupon rate and could result in an overall loss on a U.S. dollar basis. In addition, depending on the specific terms of a currency-linked Note, changes in exchange rates relating to any of the relevant currencies could result in a decrease in its effective yield and in a loss of all or a substantial portion of the value of such Note.

Foreign exchange rates can either float or be fixed by sovereign governments. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to the U.S. dollar and to each other. However, from time to time governments may use a variety of techniques, such as intervention by a country’s central bank or the imposition of regulatory controls or taxes, to influence the exchange rates of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by a devaluation or revaluation of a currency. These governmental actions could change or interfere with currency valuations and currency fluctuations that would otherwise occur in response to economic forces, as well as in response to the movement of currencies across borders.

As a consequence, these government actions could adversely affect the U.S. dollar-equivalent yields or payouts for (a) the Notes denominated or payable in currencies other than U.S. dollars and (b) currency-linked Notes.

With respect to any Series of Notes, the relevant Series Trust will not make any adjustment or change in the terms of the Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting the U.S. dollar or any applicable foreign currency. The purchaser of such Notes will bear those risks.

Governments have imposed from time to time, and may in the future impose, exchange controls that could also affect the availability of a specified foreign currency. Even if there are no actual exchange controls, it is possible that the applicable currency for any Note not denominated in U.S. dollars would not be available when payments on that Note are due.

With respect to any Series of Notes, if a payment currency is unavailable, the relevant Series Trust would make required payments in U.S. dollars on the basis of the market exchange rate. However, if the applicable currency for any Note is not available because the euro has been substituted for that currency, the relevant Series Trust would make the payments in euros. The mechanisms for making payments in these alternative currencies are explained in “Description of the Notes—Unavailability of Foreign Currency” below.

The Notes will be governed by and construed in accordance with the laws of the state of New York. Unlike many courts in the United States outside the State of New York, the courts in the State of New York customarily enter judgments or decrees for money damages in the foreign currency in which the Notes are denominated. These amounts would then be converted into U.S. dollars at the rate of exchange in effect on the date the judgment or decree is entered. The purchaser of such Note would bear the foreign currency risk during litigation.

**EACH PROSPECTIVE PURCHASER OF THE NOTES SHOULD CONSULT ITS OWN FINANCIAL, LEGAL AND TAX ADVISORS AS TO ANY SPECIFIC RISKS ENTAILED BY AN INVESTMENT BY SUCH PURCHASER IN NOTES THAT ARE DENOMINATED IN, OR THE PAYMENT OF WHICH IS RELATED TO THE VALUE OF, FOREIGN CURRENCY. SUCH NOTES ARE NOT AN APPROPRIATE INVESTMENT FOR PURCHASERS WHO ARE UNSOPHISTICATED WITH RESPECT TO FOREIGN CURRENCY TRANSACTIONS.**

#### *Payment of Additional Amounts Upon the Occurrence of Certain Tax Events*

The Trust and Jackson are not required to pay additional amounts to Noteholders to compensate for any withholding or deduction for taxes imposed by or on behalf of any governmental authority in the United States having the power to tax, unless such Noteholder meets certain requirements. For example, a Noteholder that is a Non-U.S. Holder of a Note (as defined in the section “Taxation”) and actually or constructively owns ten percent or more of the total combined voting power of all classes of stock of Jackson entitled to vote would not be entitled to the payment of additional amounts as a result of the imposition of any United States withholding tax. There is also no requirement to pay additional amounts for the imposition of withholding taxes due under the FATCA provisions in sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended (the “Code”), including if a Non-U.S. Holder fails to meet certain reporting and other requirements under such FATCA provisions or applicable intergovernmental agreement and implementing legislation. See “Description of the Notes—Payment of Additional Amounts”.

#### **Risk Factors Relating to Pledged Estate**

##### *Status of Pledged Estate Upon Insolvency of Jackson*

The Funding Agreements are unsecured obligations of Jackson and, in the event of Jackson’s insolvency, will be subject to Michigan Insurance Code Section 500.8142, which establishes the statutory liquidation priority over claims of general creditors of the estate of an insolvent Michigan insurance company. Under Michigan law, for purposes of determining the priority of distribution of claims from an insolvent Michigan domestic insurer’s estate, life insurance and annuity policies include, but are not limited to, individual annuities, group annuities, guaranteed investment contracts (“GICs”) and funding agreement contracts, and are accorded a class two priority in the event of the insolvency of a Michigan domestic insurer. Michigan law would apply to insolvency or receivership proceedings of the Funding Agreement Provider should the Funding Agreement Provider ever become impaired or

insolvent. Thus, in the event of the insolvency of the Funding Agreement Provider, (i) funding agreements would be treated *pari passu* with life insurance policy and annuity claims, and therefore ahead of any unsecured debt obligations of the Funding Agreement Provider and (ii) payments of Additional Amounts would rank *pari passu* with the claims of general creditors of Jackson. The credit quality of a funding agreement is therefore reflected in the Funding Agreement Provider's insurance financial strength ratings.

### **Risk Factors Relating to Jackson, as Provider of the Funding Agreements**

The ability of each Series Trust to make timely payments under the Notes of the relevant series will depend entirely on its receipt of corresponding payments under the Funding Agreements. Furthermore, the marketability, liquidity and value of the Notes may be substantially impaired to the extent Jackson is less able to meet, or is perceived as being less able to meet, its obligations under the Funding Agreements.

#### *Conditions in the Global Capital Markets and the Economy Generally May Materially and Adversely Affect Jackson's Business and Results of Operations.*

Jackson's results of operations are materially affected by conditions in the global capital markets and the economy generally, both in the United States and elsewhere around the world. Since 2008, Jackson has operated against a challenging background of periods of significant volatility in global capital and equity markets, interest rates and liquidity, and widespread economic uncertainty. In the event of extreme prolonged market events and economic downturns, such as the recent global financial crisis, Jackson could incur significant losses. Even in the absence of a market downturn, Jackson is exposed to substantial risk of loss due to market volatility.

Factors such as consumer spending, business investment, government spending, the volatility and strength of the capital markets, investor and consumer confidence and inflation levels all affect the business and economic environment and, ultimately, the amount and profitability of Jackson's business. In an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment, negative investor sentiment and lower consumer spending, the demand for Jackson's financial and insurance products could be adversely affected. In addition, Jackson may experience an elevated incidence of claims and lapses or surrenders of policies. Jackson's policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. In addition, reductions in employment levels of Jackson's existing employer customers may result in a reduction in interest in its annuity products. In addition, reductions in employment levels may result in a decline in employee deposits into retirement plans. Adverse changes in the economy could affect net income negatively and could have a material adverse effect on Jackson's business, results of operations and financial condition.

#### *Adverse Capital and Credit Market Conditions May Significantly Affect Jackson's Ability to Meet Liquidity Needs, Access to Capital and Cost of Capital*

Jackson needs liquidity to pay its operating expenses, interest on its debt and dividends to its parent and replace certain maturing liabilities. Without sufficient liquidity, Jackson will be forced to curtail its operations, and its business will suffer. The principal sources of Jackson's liquidity are premium deposits, annuity considerations, investment income and cash provided from maturing or sold investments.

In the event market or other conditions have an adverse impact on Jackson's capital and liquidity beyond expectations and its current resources do not satisfy its needs, Jackson may have to seek additional financing. The availability of additional financing will depend on a variety of factors such as market conditions, regulatory considerations, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, Jackson's credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of Jackson's long- or short-term financial prospects if it incurs large investment losses or if the level of its business activity decreases due to a market downturn. Similarly, Jackson's access to funds may be impaired if regulatory authorities or rating agencies take negative actions against Jackson. Its internal sources of liquidity may prove to be insufficient and, in such case, Jackson may not be able to successfully obtain additional financing on favorable terms, or at all.



Disruptions, uncertainty or volatility in the capital and credit markets may also limit Jackson's access to capital required to operate its business. Such market conditions may limit its ability to replace, in a timely manner, maturing liabilities; satisfy statutory capital requirements; generate fee income and market-related revenue to meet liquidity needs; and access the capital necessary to grow its business. As such, Jackson may be forced to delay raising capital, issue shorter term securities than it prefers or bear an unattractive cost of capital which could decrease profitability and significantly reduce financial flexibility. Jackson's financial condition, results of operations, cash flows and statutory capital position could be materially adversely affected by disruptions in the financial markets.

*Jackson is Exposed to Significant Financial and Capital Risks, Including Changing Interest Rates, Credit Spreads and Equity Prices, Which May Have an Adverse Effect on Sales of Its Products, Profitability, and Investment Portfolio*

Future changes in interest rates, credit spreads and equity and bond indices may result in fluctuations in the income derived from Jackson's investments. These and other factors due to the current economic uncertainty could have a material adverse effect on its financial condition, results of operations or cash flows.

#### Interest Rate and Credit Spread Risk

Jackson's interest rate risk is related to market price and changes in cash flow. Substantial and sustained increases or decreases in market interest rates can materially and adversely affect the profitability of its products and ability to earn predictable returns.

If interest rates rise dramatically within a short period of time, Jackson's business may be exposed to disintermediation risk. Disintermediation risk is the risk that its policyholders may surrender all or part of their contracts in a rising interest rate environment, which may require Jackson to sell assets in an unrealized loss position. Alternatively, Jackson may increase crediting rates to retain business and reduce the level of assets that may need to be sold at a loss. However, such action would reduce its investment spread and net income.

Due to the long-term nature of Jackson's annuity liabilities, sustained declines in long-term interest rates may result in increased redemptions of its fixed maturity securities that are subject to call redemption prior to maturity by the issuer and expose Jackson to reinvestment risk. If Jackson is unable to reinvest the proceeds from such redemptions into investments with credit quality and yield characteristics of the redeemed securities, its net income and overall financial performance may be adversely affected. Jackson has a certain ability to mitigate this risk by lowering crediting rates on its products but Jackson may be forced to maintain crediting rates for competitive reasons or because minimum interest rate guarantees exist in certain contracts.

Fixed annuities provide that, at Jackson's discretion, it may reset the interest rate credited to policyholders' accounts, subject to a guaranteed minimum, but they present the risk that policyholders will exercise their option to surrender their contracts in periods of rapidly rising interest rates, possibly requiring Jackson to liquidate assets at an inopportune time.

Jackson's exposure to credit spreads is related to market price and changes in cash flows related to changes in credit spreads. If credit spreads widen significantly, it may be indicative of a potential for higher levels of other-than-temporary impairments. If credit spreads tighten significantly it could result in reduced net investment income associated with new purchases of fixed maturity securities.

#### Credit Risk

Jackson is subject to the risk that the issuers of its fixed maturity securities and other debt securities and borrowers on its commercial mortgages will default on principal and interest payments or be unable or unwilling to pay Jackson in a timely fashion, if at all, due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons, particularly if a major downturn in economic activity occurs. Defaults by such issuers and/or borrowers in the payment or performance of their obligations could reduce Jackson's investment income and realized investment gains or result in realized investment losses. Further, the value of any

particular fixed maturity security is subject to impairment based on the creditworthiness of a given issuer. Issuers of the fixed maturities that Jackson owns may experience threats and performance deterioration that trigger rating agency downgrades. Although the issuers may not have defaulted on principal and interest payments with respect to these securities, Jackson may be required by regulators and rating agencies to hold more capital in support of these investments. As a result, Jackson could experience higher cost of capital and potential constraints on its ability to grow its business and maintain its own ratings.

The mortgage loans in Jackson's investment portfolio, which are collateralized by commercial properties, are subject to default risk. The carrying value of its commercial mortgage loans is stated at the aggregate unpaid principal balance of such loans, net of unamortized discounts and premiums, impairments and an allowance for loan losses. On a periodic basis, Jackson assesses the commercial mortgage loan portfolio for the need for an allowance for loan losses. In determining its allowance for losses, Jackson evaluates each loan to determine if it is probable that amounts due according to the contractual terms of the loan agreement will not be collected. The allowance includes loan specific reserves for loans that are determined to be non-performing as a result of its loan review process. The loan specific portion of the loss allowance is based on Jackson's assessment as to ultimate collectability of loan principal and interest or other value potentially expected in lieu of loan principal and interest. This review contemplates a variety of factors which may include, but are not limited to, current economic conditions, the physical condition of the property, the financial condition of the borrower, and the near and long-term prospects for change in these conditions. Changes in the allowance for loan losses are recorded in surplus. Separately, Jackson also reviews individual loans in the portfolio for impairment based on an assessment of the factors identified above. Impairment charges recognized are recorded initially against the established loan loss allowance and, if necessary, any additional amounts are recorded as realized losses. As deemed necessary based on cash flow expectations and other factors, Jackson may place loans on non-accrual status. In this case, all cash received is applied against the carrying value of the loan. An increase in the default rate of its mortgage loan investments, caused by current or worsening economic conditions or otherwise, could have a material adverse effect on its business, financial condition and results of operations.

Jackson uses freestanding derivative instruments for general hedging purposes. It monitors the credit worthiness of its counterparties and manages collateral on at least a daily basis. If its counterparties for these instruments, however, fail or refuse to honor their obligations under the derivative instruments, its revenues may not be sufficient to fund the annual index credits on its fixed index annuities ("FIA") or the value of contract investments may be less than the value of benefits guaranteed. Any such failure or refusal could harm its financial strength and reduce profitability. In addition, Jackson's hedging activities may be impacted by the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank"). Until the various final regulations are promulgated pursuant to Dodd-Frank, and perhaps for some time thereafter, the full impact of Dodd-Frank on such activities will remain unclear. Such provisions and regulations include, but are not limited to, the regulation of the over-the-counter ("OTC") derivatives markets. See "— Risks Related to Industry — Jackson's Insurance Business is Heavily Regulated and Changes in Regulation May Reduce Its Profitability and Limit Its Growth."

### Liquidity Risk

Jackson maintains certain levels of cash and cash equivalents to meet short term liquidity needs. It relies on the ability to sell assets in order to meet longer term liquidity needs. In periods of market stress, it may have difficulty selling certain assets. In particular, Jackson could have difficulty selling its commercial mortgage loans because they are less liquid than publicly traded securities. If Jackson requires significant amounts of cash on short notice, it may have difficulty selling these loans at attractive prices, in a timely manner, or both.

Jackson is a member of the Federal Home Loan Bank of Indianapolis ("FHLBI"). Membership allows Jackson access to advances from the FHLBI with short-term and long-term funding facilities that are collateralized by mortgage-related assets in its investment portfolio. However, the FHLBI borrowings are subject to the FHLBI's discretion and to the availability of qualifying assets. Changes in these laws and regulations, or in interpretations thereof in the United States, can be made for the benefit of the consumer, or for other reasons, at the expense of the insurer and thus could have an adverse effect on Jackson's financial condition and results of operations. The FHLBI program serves as a low cost alternative funding source for Jackson's businesses. If Jackson is unable to access this source of funding in the future, as a result of changes to federal regulations or impairment of Jackson's collateralized

assets held by the FHLBI to support any advances, it may not be able to successfully obtain additional financing on favorable terms, or at all.

### Equity Risk

Jackson faces equity risk from the asset portfolio, the hedging program and the products sold. Certain of its variable annuity contracts may provide for guaranteed minimum death benefits (“**GMDB**”), guaranteed minimum income benefits (“**GMIB**”), guaranteed minimum withdrawal benefits (“**GMWB**”) or guaranteed minimum accumulation benefits (“**GMAB**”). Jackson charges a fee for these benefits. Its key risk is that the value of contract investments will be less than the value guaranteed under the GMDB, GMIB, GMWB or GMAB. Statutory reserves are required to be established for these benefits. Jackson no longer offers GMIB or GMAB.

Jackson hedges the financial risk associated with its GMDBs, GMWBs and GMABs using certain derivative instruments, including equity options and futures. In addition, it considers certain inherent overlaps in portfolio risk among its equity related products in determining the level of external hedging necessary. However, Jackson remains liable for the guaranteed benefits in the event that derivative counterparties are unable or unwilling to pay, and is also subject to the risk that the cost of hedging these guaranteed benefits may increase, resulting in a reduction to net income. These, individually or collectively, may have a material adverse effect on net income, financial condition or liquidity. Jackson hedges the financial risk on an economic basis and, thus, accepts variability in its accounting results in the short term in order to achieve the appropriate economic result. In addition, the final regulations that are being promulgated pursuant to Dodd-Frank, including those relating to the regulation of the OTC derivatives market, may have an impact on Jackson’s hedging activities, although the full impact of such regulations continues to be unclear at this time. See “— Risks Related to Industry — Jackson’s Insurance Business is Heavily Regulated and Changes in Regulation May Reduce Its Profitability and Limit Its Growth.”

*A significant portion of Jackson’s institutional funding originates from one Federal Home Loan Bank, which subjects us to liquidity risks associated with sourcing a large concentration of Jackson’s funding from one counterparty.*

A significant portion of Jackson’s institutional funding agreements originate from FHLBI, which primarily serves as a source of funding for Jackson’s Institutional Products Department. As of December 31, 2013, Jackson had issued \$1.8 billion of non-putable funding agreements in exchange for eligible collateral mostly in the form of commercial mortgage backed securities and commercial mortgage loans. Should the FHLBI choose to change their definition of eligible collateral, or if the market value of the pledged collateral decreases in value due to changes in interest rates or credit ratings, Jackson may be required to post additional amounts of collateral in the form of cash or other eligible collateral. Additionally, Jackson may be required to find other sources to replace this funding if Jackson’s lose access to FHLBI funding. This could occur if Jackson’s creditworthiness falls below the FHLBI’s requirements or if legislative or other political actions cause changes to the FHLBI’s mandate or to the eligibility of life insurance companies to be members of the FHLBI system.

*Jackson’s participation in a securities lending program and a repurchase program subjects us to potential liquidity and other risks.*

Jackson participates in a securities lending program whereby securities are loaned to third-party borrowers, primarily major brokerage firms and commercial banks. Jackson generally obtain cash collateral in an amount equal to 102% of the estimated fair value of the loaned securities, which is typically invested in high quality mutual fund investments. A return of loaned securities by a borrower requires us to liquidate the investments held as collateral and return the cash collateral associated with such loaned securities.

Jackson also participates in a repurchase program for Jackson’s general account whereby Jackson sells fixed income securities to third-party repurchase counterparties, primarily major brokerage firms and commercial banks, with a concurrent agreement to repurchase those same securities at a determined future date. At all times during the term of the repurchase agreements, collateral is maintained at a level that is sufficient to allow the counterparty to fund substantially all of the cost of purchasing replacement assets. Jackson’s repurchase agreements are generally short term and the cash proceeds received under the repurchase program are typically used for operating purposes and cannot be returned prior to the scheduled repurchase date; however, market conditions on the

repurchase date may limit Jackson's ability to enter into new agreements. The repurchase of securities or Jackson's inability to enter into new repurchase agreements would require us to return the cash collateral proceeds associated with such transactions on the repurchase or maturity date.

For securities lending transactions, in some cases, the redemption of the securities held as invested collateral (*i.e.*, securities that Jackson has purchased with cash collateral received) may have an estimated fair value below the amount of cash received as collateral and invested. For repurchase agreements, if Jackson is required to return significant amounts of cash collateral and Jackson is forced to sell securities to meet the return obligation, Jackson may have difficulty selling securities in a timely manner, be forced to sell securities in a volatile or illiquid market for less than Jackson otherwise would have been able to realize under normal market conditions, or both. In addition, under adverse capital market and economic conditions, liquidity may broadly deteriorate, which would further restrict Jackson's ability to sell securities. If Jackson decreases the amount of Jackson's securities lending activities over time, the amount of net investment income generated by these activities will also likely decline.

*A Downgrade or a Potential Downgrade in Jackson's Financial Strength or Credit Ratings Could Result in a Loss of Business and Adversely Affect Its Financial Condition and Results of Operations*

Financial strength ratings, which various rating agencies publish as measures of an insurance company's ability to meet policyholder obligations, are important to maintaining public confidence in Jackson's products, the ability to market its products and its competitive position. Credit ratings, which rating agencies publish as measures of an entity's ability to repay its indebtedness, are important to Jackson's ability to raise capital through the issuance of debt and to the cost of such financing.

A ratings downgrade could occur for a variety of reasons, including reasons specifically related to Jackson, generally related to its industry or the broader financial services industry or as a result of changes by the rating agencies in their methodologies or rating criteria. A negative outlook on Jackson's ratings or a downgrade in any of its financial strength or credit ratings, the announcement of a potential downgrade, or customer concerns about the possibility of a downgrade, could have a material adverse effect on its business, financial condition and results of operations. These direct or indirect effects could include:

- adversely affecting Jackson's ability to sell certain of its products;
- adversely affecting its relationships with its sales force and independent sales intermediaries;
- adversely affecting the return on the insurance and annuity products it issues and, ultimately, the results of its operations;
- materially increasing the number or amount of policy surrenders and withdrawals by policyholders;
- adversely affecting its ability to obtain new reinsurance or obtain it on reasonable pricing terms;
- adversely affecting its ability to raise capital;
- adversely affecting liquidity through increased collateral requirements and potential loss of FHLBI membership;
- allowing derivative counterparties to terminate trades with Jackson;
- adversely affecting its ability to compete for attractive acquisition opportunities; and
- increasing its cost of borrowing.

*The Difficulties Faced by Other Financial Institutions Could Adversely Affect Jackson*

Jackson has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks and other institutions. Many of these transactions expose Jackson to credit risk in the event of default of its counterparty or client. In addition, with respect to credit transactions in which Jackson acquires a security interest in collateral owned by the borrower, its credit risk may be exacerbated when the collateral it holds cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure due to it. Jackson also has exposure to financial institutions in the form of unsecured debt instruments, derivative transactions, reinsurance and underwriting arrangements, and equity investments. There can be no assurance that any such losses or impairments to the carrying value of these assets would not materially and adversely impact its business and results of operations.

Additionally, Jackson is required by law to be a member of the guaranty fund association in every state where it is licensed to do business. These guaranty funds are financed by assessing solvent insurance companies based on location, volume and types of business. In the event of insolvency of one or more unaffiliated insurance companies, Jackson could be adversely affected by the requirement to pay assessments to the guaranty fund associations. Jackson estimates its reserve for future state guaranty fund assessments based on data received from the National Organization of Life and Health Insurance Guaranty Associations. However, as a result of the weakened financial condition of numerous insurers, including insurers currently in receiverships, Jackson cannot predict the amount and timing of any future assessments, nor can there be any assurance that its reserves will be sufficient.

*The Determination of the Amount of Allowances and Impairments Taken on Jackson's Investments is Highly Subjective and Could Materially Impact Its Financial Condition or Results of Operations*

The determination of the amount of allowances and impairments varies by investment type and is based upon Jackson's periodic evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. Management updates its evaluations regularly and reflects changes in allowances and impairments in operations as such evaluations are revised. There can be no assurance that management has accurately assessed the level of impairments taken and allowances reflected in Jackson's financial statements. Furthermore, additional impairments may need to be taken or allowances provided for in the future. Historical trends may not be indicative of future impairments or allowances.

*Jackson May Face Unanticipated Losses if There are Significant Deviations From Its Assumptions Regarding the Probabilities that Its Annuity Contracts will Remain in Force from One Period to the Next or if Morbidity or Mortality Rates Differ Significantly From Its Pricing Expectations*

Jackson's future profitability is based in part upon expected patterns of premiums, expenses and benefits using a number of assumptions, including those related to the probability that a policy or contract will remain in force from one period to the next, or persistency, as well as mortality and morbidity. Since no insurer can precisely determine persistency, mortality or morbidity, actual results could differ significantly from assumptions. The effect of persistency on profitability varies for different products. For certain products, actual persistency that is lower than assumptions could have an adverse impact on future profitability. In addition, Jackson may also be forced to sell investments at a loss to fund withdrawals. For some life insurance and variable annuity products, actual persistency in later policy durations that is higher than assumed persistency could also have a negative impact on profitability. If these policies remain in force longer than assumed, Jackson could be required to make greater benefit payments than it had anticipated when it priced these products.

In addition, Jackson sets prices and initial crediting rates for its life insurance and annuity products based upon expected claims and payment patterns, using assumptions for, among other factors, the mortality rates and morbidity rates of its policyholders. The long-term profitability of these products depends upon how actual experience compares with pricing assumptions. For example, if morbidity rates are higher, or mortality rates are lower than pricing assumptions, Jackson could be required to make greater payments under certain life insurance and annuity contracts than it had projected.

Because Jackson's assumptions are inherently uncertain, reserves for future policy benefits and claims may prove to be inadequate if actual experience is different from its assumptions. Although certain of its products permit Jackson to increase premiums or reduce benefits during the life of the policy or contract, these changes may not be sufficient to maintain profitability. Moreover, many of its products either do not permit Jackson to increase premiums or reduce benefits or may limit those changes during the life of the policy or contract. Therefore, significant deviations in experience from assumptions regarding persistency and mortality and morbidity rates could have an adverse effect on its financial condition, results of operations and cash flows.

*If Jackson's Reserves for Future Policy Benefits and Claims are Inadequate, Jackson Would be Required to Increase Its Reserve Liabilities*

Jackson calculates and maintains reserves for estimated future benefit payments to its policyholders in accordance with SAP. Jackson releases these reserves as those future obligations are extinguished. The reserves Jackson establishes necessarily reflect estimates and actuarial assumptions with regard to its future experience. These estimates and actuarial assumptions involve the exercise of significant judgment. Jackson's future financial results depend upon the extent to which its actual future experience is consistent with the assumptions it has used in pricing its products and determining its reserves. Many factors can affect future experience, including economic, political and social conditions, inflation, healthcare costs and changes in doctrines of legal liability and damage awards in litigation. Therefore, Jackson cannot predict the ultimate amounts it will pay for actual future benefits or the timing of those payments.

Jackson regularly monitors its reserves. If Jackson concludes its reserves are insufficient to cover actual or expected policy and contract benefits and claims payments, Jackson would be required to increase its reserves and incur income statement charges in the period in which it is determined, which could adversely affect its financial condition and results of operations.

*Jackson May Not be Able to Mitigate the Reserve Strain Associated with Regulation XXX and Guideline AXXX, Potentially Resulting in a Negative Impact on its Capital Position*

The model regulation of the National Association of Insurance Commissioners ("NAIC") entitled "Valuation of Life Insurance Policies," commonly known as "Regulation XXX," and supporting Guideline entitled "The Application of the Valuation of Life Insurance Policies," commonly known as "Guideline AXXX," require insurers to establish statutory reserves for certain term life insurance policies with long-term premium guarantees and for certain universal life policies with secondary guarantees that are consistent with the statutory reserves required for other individual life insurance policies with similar guarantees. Many market participants believe that this level of reserves is excessive, and, to this point, Jackson, through reinsurance and capital management actions, has partially mitigated the impact of Regulation XXX and Guideline AXXX on its term and universal life insurance business. However, Jackson may not be successful in implementing such reinsurance or capital management solutions to mitigate an excessive level of reserves, as a result of market conditions or otherwise, if the negative impact on its capital position was to reach a level where Jackson desired to take additional actions.

*Jackson May be Required to (i) Recognize Impairment in the Value of Its Goodwill or VOBA, or (ii) Establish a Valuation Allowance Against Deferred Income Tax Assets, Any of Which Could Adversely Affect Its Financial Condition and Results of Operations*

The present value of future profits embedded in acquired insurance, annuity and investment-type contracts are capitalized as valuation of business acquired ("VOBA") and are amortized over the expected effective lives of the acquired contracts in accordance with Michigan insurance laws. Under NAIC guidance, these are capitalized, subject to certain limitations, as goodwill.

Management, on an annual basis, reviews the VOBA and goodwill balance for impairments. Based on results of the annual review, the VOBA and goodwill balance may be reduced with an offsetting charge to amortization. Any reductions in VOBA and goodwill could have an adverse effect on the results of Jackson's financial condition and results of operations.

Deferred income taxes arise from the recognition of temporary differences between the basis of assets and liabilities for financial reporting purposes and the basis determined for income tax purposes. Such temporary differences are principally related to the effects of provisions for future policy benefits and expenses. Deferred tax assets are assessed periodically by management to determine if they are realizable. Factors in management's determination include the performance of the business including the geographic and legal entity source of its income, the ability to generate capital gains from a variety of sources, and tax planning strategies. If based on available information, it is more likely than not that the deferred income tax asset will not be realized, then a valuation allowance must be established with a corresponding charge to net income. Such charges could have a material adverse effect on Jackson's financial condition or results of operations.

*Changes in Accounting Requirements Could Negatively Impact Jackson's Reported Financial Condition and Its Reported Results of Operations*

Accounting standards are continuously evolving and subject to change. Jackson's financial statements are prepared in accordance with SAP as defined by the NAIC, as modified by Michigan laws and regulations. From time to time, Jackson is required to adopt new or revised accounting standards or guidance that are incorporated into NAIC SAP. These changes are difficult to predict, and it is possible that such changes could have a material effect on its financial condition and results of operations. These and other changes in accounting standards may impose special demands on issuers in areas such as corporate governance, internal controls and disclosure. Changes in accounting standards, or their interpretation, may negatively affect Jackson's reported financial condition and its reported results of operations.

*Jackson's Computer Systems May Fail or Their Security May be Compromised, Which Could Damage Its Business and Adversely Affect Its Financial Condition and Results of Operations*

Jackson's business is highly dependent upon the effective operation of its computer systems. Jackson relies on these systems throughout its business for a variety of functions, including processing claims and applications, providing information to customers and distributors, performing actuarial analyses and maintaining financial records. Despite the implementation of security and back-up measures, its computer systems may be vulnerable to physical or electronic intrusions, computer viruses or other attacks, programming errors and similar disruptive problems. The failure of these systems for any reason could cause significant interruptions to its operations, which could result in a material adverse effect on its business, financial condition or results of operations.

*Jackson's Failure to Protect its Clients' Confidential Information and Privacy, or the Perception that its Technology Infrastructure is not Secure, Could Adversely Affect Its Business*

In the course of Jackson's business, it collects and maintains personal data from its customers, including personally identifiable non-public financial information, which subjects Jackson to regulation under federal and state privacy laws. For example, certain of the activities conducted by its businesses are subject to the privacy regulations of the Gramm-Leach-Bliley Act. These laws require that Jackson institutes certain policies and procedures in its business to safeguard this information from improper use or disclosure. Jackson also has contractual obligations to protect certain confidential information it obtains from its existing vendors and clients. These obligations generally include protecting such confidential information in the same manner and to the same extent as it protects its own confidential information. The actions taken to protect such confidential information may include, among other things:

- creation and inclusion of privacy policies in employee handbooks;
- communication of the policies to existing and new employees;
- designation of certain officers to oversee the implementation and adherence to the policies;
- establishment of a privacy and confidentiality security program;

- training and education of its employees regarding its obligations relating to confidential information; and
- limitation on access to electronic information.

*If Federal or State Regulators Establish Further Regulations for Addressing Customer Privacy, Jackson May Need to Amend Its Policies and Adapt Its Internal Procedures*

Jackson relies on sophisticated commercial technologies to maintain the security of the confidential information retained in its computer systems. Anyone who is able to circumvent its security measures and penetrates its computer systems could access, view, misappropriate, alter, or delete any information in the systems, including personally identifiable customer information and proprietary business information. In addition, an increasing number of states and foreign countries require that customers be notified if a security breach results in the disclosure of personally identifiable customer information. Any compromise of the security of Jackson's computer systems that results in inappropriate disclosure of personally identifiable customer information could damage its reputation in the marketplace, deter people from purchasing its products, subject Jackson to significant civil and criminal liability and require Jackson to incur significant technical, legal and other expenses.

In addition, Jackson's operations require the secure transmission of confidential information over public networks. Security breaches in connection with the delivery of its products and services, including products and services utilizing the Internet, as well as intrusions resulting from the efforts of "hackers" seeking the sensitive data it possesses, and the trend toward broad consumer and general public notification of such incidents, could significantly harm its business, financial condition or results of operations. Even if Jackson successfully protects its technology infrastructure and the confidentiality of sensitive data, Jackson could suffer harm to its business and reputation if attempted security breaches are publicized. Jackson cannot be certain that advances in criminal capabilities, discovery of new vulnerabilities, attempts to exploit vulnerabilities in its systems, data thefts, physical system or network break-ins or inappropriate access, or other developments will not compromise or breach the technology or other security measures protecting the networks used in connection with its products and services.

*Jackson's Enterprise Risk Management Policies and Procedures May Leave Jackson Exposed to Unidentified or Unanticipated Risk, Which Could Negatively Affect Its Businesses or Result in Losses*

Jackson has devoted significant resources to developing its enterprise risk management policies and procedures and will continue to do so. Jackson enters into financial derivative transactions, including, but not limited to, swaps, spread cap options, put-swaptions, futures and options to reduce and manage the risks associated with its operations. These transactions manage the risk of a change in the value, yield, price, cash flows, credit quality or degree of exposure with respect to assets, liabilities or future cash flows which Jackson has acquired or incurred. Jackson manages the potential credit exposure for derivative contracts through careful evaluation of the counterparty credit standing, collateral agreements, and master netting agreements. Nonetheless, if its counterparties fail or refuse to honor their obligations under the derivative instruments, its hedges of the related risk will be ineffective. This failure could have an adverse effect on its financial condition and results of operations. Moreover, management of operational, legal and regulatory risks requires effective policies and procedures to record, verify and report on a large number of transactions and events, and Jackson's policies and procedures may not be fully effective in identifying, monitoring or mitigating its risk exposure in all market environments or against all types of risk. Many of Jackson's methods for managing these risks and exposures are based upon historical statistical models and observed market behavior. As such, its methods may not be able to predict all future exposures. These could be significantly greater than what historical measures have indicated. This could cause Jackson to incur investment losses or cause its hedging and other risk management strategies to be ineffective. In addition, Jackson's distribution network consists of a large number of third party agents and requires the implementation and oversight of policies and procedures to ensure that Jackson is not unduly subjected to reputational, financial or other risks attributable to such third party agents. Other risk management methods depend upon the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that is publicly available or otherwise accessible to Jackson, which may not always be accurate, complete, up-to-date or properly evaluated.

*Jackson Faces Risks Arising From Acquisitions*



Jackson has made acquisitions in the past and may pursue further acquisitions in the future. It faces a number of risks arising from acquisition transactions, including difficulties in assimilating and retaining employees and intermediaries, difficulties in retaining the existing customers of the acquired entities, unforeseen liabilities that arise in connection with the acquired businesses, unfavorable market conditions that could negatively impact its growth expectations for the acquired businesses, as well as difficulties in integrating and realizing the projected results of acquisitions and managing the litigation and regulatory matters to which acquired entities are party. These risks may prevent Jackson from realizing the expected benefits from acquisitions and could result in the impairment of goodwill and/or intangible assets recognized at the time of acquisition. In addition, Jackson's strategy of complimenting its organic growth by exploring opportunities for acquisitions that meet or exceed its targeted rate of return, primarily in the area of life insurance, could be materially and adversely affected by the increasingly competitive nature of the merger and acquisition market and the increased participation of non-traditional buyers in the insurance company merger and acquisition market. Jackson may consider utilizing securitization financing for some bolt-on acquisitions.

*Catastrophes May Adversely Impact Liabilities for Policyholder Claims and the Availability of Reinsurance*

Jackson is exposed to the risk of catastrophic mortality, such as from a pandemic, an act of terrorism, a natural disaster or other event that causes a large number of deaths or injuries. Significant influenza pandemics have occurred three times in the last century, but the likelihood, timing or severity of a future pandemic cannot be predicted. Additionally, the impact of climate change could cause changes in weather patterns, resulting in more severe and more frequent natural disasters such as forest fires, hurricanes, tornados, floods and storm surges. In Jackson's group insurance operations, a localized event that affects the workplace of one or more of its group insurance customers could cause a significant loss due to mortality or morbidity claims. These events could cause a material adverse effect on its results of operations in any period and, depending on their severity, could also materially and adversely affect its financial condition.

The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Pandemics, natural disasters and man-made catastrophes, including terrorism, may produce significant damage in larger areas, especially those that are heavily populated. Claims resulting from natural or man-made catastrophic events could cause substantial volatility in its financial results for any fiscal quarter or year and could materially reduce its profitability or harm its financial condition. Also, catastrophic events could harm the financial condition of Jackson's reinsurers and thereby increase the probability of default on reinsurance recoveries. Accordingly, Jackson's ability to write new business could also be affected.

Consistent with industry practice and accounting standards, Jackson establishes liabilities for claims arising from a catastrophe only after assessing the probable losses arising from the event. It cannot be certain that the liabilities established or applicable reinsurance will be adequate to cover actual claim liabilities, and a catastrophic event or multiple catastrophic events could have a material adverse effect on its business, financial condition and results of operations.

*Competitive Activity May Adversely Affect Jackson's Market Share and Financial Results, Which Could have a Material Adverse Effect on Its Business, Financial Condition and Results of Operations*

The insurance industry is highly competitive. Jackson's competitors include other insurers and, because many of its products include an investment component, securities firms, investment advisers, mutual funds, banks and other financial institutions. In recent years, there has been substantial consolidation and convergence among companies in the insurance and financial services industries resulting in increased competition from large, well-capitalized insurance and financial services firms that market products and services similar to Jackson. These competitors compete with Jackson for producers such as brokers and independent agents, as well as employees. Jackson is dependent on its network of independent financial advisors for a significant portion of the sales of its annuities and insurance products. The market for these financial advisors, as well as qualified legal and compliance professionals, fund managers, and investment analysts, is extremely competitive. If Jackson is unable to attract and retain qualified individuals or its recruiting and retention costs increase significantly, Jackson's financial condition and results of operations could be materially adversely impacted. Moreover, Jackson's success depends upon the

continued service of its key senior management team, including executive officers and senior managers. The loss of one or more of its key senior management team, and the failure to recruit suitable replacement or replacements, could have a material adverse effect on its business.

Some of Jackson's competitors may have the ability to spread their operating costs over a larger inforce block and an ability to absorb greater risk while maintaining their financial strength ratings, thereby allowing them to price their products more competitively. Additionally, Jackson is faced with competition from other products, including non-insurance products such as mutual funds, certificates of deposit and newly developed investment products. These highly competitive pressures could result in increased pricing pressures on a number of its products and services and may harm its ability to maintain or increase its profitability. An insolvency of, or the appointment of a receiver to rehabilitate or liquidate, a significant competitor could also negatively impact Jackson's businesses if such appointment were to impact consumer confidence in industry products and services.

Jackson believes competition will intensify across all regions in response to consumer demand, technological advances, the impact of consolidation, regulatory actions and other factors. Jackson's ability to generate appropriate return depends significantly upon its capacity to anticipate and respond appropriately to these competitive pressures.

### **Risks Related to Industry**

#### *Jackson's Insurance Businesses is Heavily Regulated and Changes in Regulation May Reduce Its Profitability and Limit Its Growth*

Insurance companies are subject to extensive laws and regulations. These laws and regulations are complex and subject to change. Moreover, they are administered and enforced by a number of different governmental authorities, including state insurance regulators, state securities administrators, the U.S. Securities and Exchange Commission (the "SEC"), the Financial Industry Regulatory Authority, Inc. ("FINRA"), the U.S. Department of Justice, and state attorneys general, each of which exercises a degree of interpretive latitude. In some cases, these laws and regulations are designed to protect or benefit the interests of a specific constituency rather than a range of constituencies. For example, state insurance laws and regulations are generally intended to protect or benefit purchasers or users of insurance products. In many respects, these laws and regulations limit Jackson's ability to grow and improve the profitability of its business.

State insurance laws regulate most aspects of Jackson's insurance businesses. Jackson is regulated by the insurance departments of the states in which it is domiciled and licensed. Insurance regulatory authorities in the United States have broad administrative powers with respect to, among other things:

- licensing companies and agents to transact business;
- calculating the value of assets to determine compliance with statutory requirements;
- mandating certain insurance benefits;
- regulating certain premium rates;
- reviewing and approving policy forms;
- regulating unfair trade and claims practices, including through the imposition of restrictions on marketing and sales practices, distribution arrangements and payment of inducements;
- establishing and revising statutory capital and reserve requirements and solvency standards;
- fixing maximum interest rates on insurance policy loans and minimum rates for guaranteed crediting rates on life insurance policies and annuity contracts;

- approving future rate increases;
- approving changes in control of insurance companies;
- restricting the payment of dividends and other transactions between affiliates; and
- regulating the types, amounts and valuation of investments.

State insurance regulators and the NAIC regularly re-examine existing laws and regulations applicable to insurance companies and their products. Changes in these laws and regulations, or in interpretations thereof in the United States, can be made for the benefit of the consumer, or for other reasons, at the expense of the insurer, and thus could have an adverse effect on Jackson's financial condition and results of operations.

Although the federal government does not directly regulate the insurance business, federal legislation and administrative policies in several areas, including pension regulation, age and sex discrimination, financial services regulation, securities regulation and federal taxation, can significantly affect the insurance business. In addition, legislation has been introduced in the U.S. Congress which could result in the federal government assuming some role in the regulation of the insurance industry.

On July 21, 2010, President Obama signed into law Dodd-Frank, which, among other things, imposes a comprehensive new regulatory regime on the OTC derivatives marketplace. The derivatives legislation is set forth in Title VII of Dodd-Frank entitled "Wall Street Transparency and Accountability" (the "**Derivatives Title**"). With limited exceptions, the provisions of the Derivatives Title become effective on the later of 360 days following enactment and, to the extent a provision requires rulemaking, not less than 60 days after publication of the final rule. Once effective, this legislation will subject swap dealers and "major swap participants" (as defined in the legislation and further clarified by the rulemaking) to substantial supervision and regulation, including capital standards, margin requirements, business conduct standards, recordkeeping and reporting requirements. It also requires central clearing for certain derivatives transactions that the U.S. Commodities Futures Trading Commission ("**CFTC**") determines must be cleared and are accepted for clearing by a "derivatives clearing organization" (subject to certain exceptions) and provides the CFTC with authority to impose position limits across markets. Many key concepts, processes and issues under the Derivatives Title have been left to the relevant regulators to define and address. To ensure the integrity of the OTC clearing model, additional capital (*i.e.*, collateral) is required by all market participants by the clearing exchanges. Furthermore, the additional collateral required will be of a higher quality compared to that which was required prior to Dodd-Frank. The combination of more collateral and that of a higher quality can impose a reduction in profitability, as Jackson could be forced to hold more lower yielding assets for these collateral postings. The increase in collateral quantity is being driven by the new requirement that initial margin will be required for all cleared OTC trades. Jackson did not have to post initial margin before Dodd-Frank and therefore this will be an additional burden. The increase in collateral quality is being driven by the clearing exchanges that require high quality collateral be posted for initial margin (primarily treasuries and cash) and variation margin (only cash). Jackson only had to post variation margin before Dodd-Frank and could post a wide range of collateral types (*i.e.*, lower quality assets such as corporates) to fulfill its variation margin calls and therefore this requirement could lower Jackson's portfolio yield. There are other programs being offered by clearing exchanges, such as the Chicago Mercantile Exchange ("**CME**"), that allow for a customer such as Jackson to post other higher yielding types of collateral, but Jackson would have to be able to negotiate its ability to participate in these programs with its clearing dealer ("**FCM**"). In the event that Jackson cannot make a margin call, as it does not have the correct collateral to deliver, the FCM would have the right to liquidate Jackson's cleared derivative positions. Therefore, cleared derivatives introduce greater liquidity risk if Jackson is not maintaining a portfolio of acceptable high quality collateral and the market is in a state of stress and will not allow collateral transformation, or if Jackson does not have access to alternative collateral programs at the CME, collateral transformation lines through dealers, or its liquidity facility at FHLBI.

Dodd-Frank also created a Financial Stability Oversight Council. The Financial Stability Oversight Council may designate by a 2/3 vote whether certain insurance companies and insurance holding companies pose a grave threat to the financial stability of the U.S., in which case such companies would become subject to prudential regulation by the Board of Governors of the U.S. Federal Reserve (the "**Federal Reserve Board**"), including

heightened capital, leverage and liquidity standards, risk management requirements, concentration limits, maintenance of resolution plans and stress tests, and potential discretionary requirements relating to contingent capital, enhanced public disclosure and short-term debt limits. The Federal Reserve Board may limit such company's ability to enter into merger transactions, restrict its ability to offer financial products, require it to terminate one or more activities, or impose conditions on the manner in which it conducts activities. Dodd-Frank also established a Federal Insurance Office under the U.S. Treasury Department to monitor all aspects of the insurance industry and of lines of business other than certain health insurance, certain long-term care insurance and crop insurance. The director of the Federal Insurance Office will have the ability to recommend that an insurance company or an insurance holding company be subject to heightened prudential standards. Dodd-Frank also provides for the pre-emption of state laws in certain instances involving the regulation of reinsurance and other limited insurance matters. Dodd-Frank requires extensive rule-making and other future regulatory action, which in some cases will take a period of years to implement.

Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in these laws and regulations may materially increase Jackson's direct and indirect compliance efforts and other expenses of doing business.

The regulatory framework at the state and federal level applicable to Jackson's products is evolving. The changing regulatory framework could affect the design of such products and its ability to sell certain products. Any changes in these laws and regulations could materially and adversely affect Jackson's business, financial condition or results of operations. In addition, there is risk that any particular regulator's or enforcement authority's interpretation of a legal issue may change over time to Jackson's detriment, or that changes in the overall legal environment may, even absent any particular regulator's or enforcement authority's interpretation of a legal issue changing, cause Jackson to change its views regarding the actions it needs to take from a legal risk management perspective, thus necessitating changes to its practices that may, in some cases, limit its ability to grow and improve the profitability of its business.

*Legal and Regulatory Investigations and Actions are Increasingly Common in Several of Jackson's Business Segments and May Result in Financial Losses and Harm Its Reputation*

Jackson faces a significant risk of litigation and regulatory investigations and actions in the ordinary course of operating its business, including the risk of class action lawsuits, arbitration claims, regulatory, governmental subpoenas, investigations and actions and other claims. Jackson's pending legal and regulatory actions include proceedings specific to Jackson and others generally applicable to business practices in the industries in which Jackson operates. Jackson's insurance operations, may become subject to class actions and regulatory actions and are or may become subject to individual lawsuits relating, among other things, to sales or underwriting practices, payment of contingent or other sales commissions, claims payments and procedures, product design, disclosure, administration, additional premium charges for premiums paid on a periodic basis, interest crediting practices, denial or delay of benefits and breaches of fiduciary or other duties to customers. Plaintiffs in class action and other lawsuits against Jackson may seek very large or indeterminate amounts, including punitive and treble damages, which may remain unknown for substantial periods of time.

For example, the insurance industry has been the focus of increased scrutiny and lawsuits related to retained asset accounts offered to beneficiaries, which offer access to benefits through drafts on interest-bearing accounts held by the insurer in lieu of a lump-sum payout. The lawsuits allege that customers were misled about access to and security of these funds, and that insurers unjustly profited through low crediting rates offered on the accounts. In addition, annuity sales to seniors are coming under increased scrutiny by FINRA and state insurance regulators, and have been the source of industry litigation in situations where annuity sales have allegedly been unsuitable for the seniors' financial needs.

Jackson is also subject to various regulatory inquiries, such as information requests, subpoenas, market conduct exams and books and record examinations, from state and federal regulators and other authorities, which may result in fines, recommendations for corrective action or other regulatory actions. Federal and state regulators have focused on, and continue to devote substantial attention to, the mutual fund, variable annuity and insurance product industries, including the broker-dealer system. As a result of publicity relating to widespread perceptions of industry abuses, there have been numerous regulatory inquiries and proposals for legislative and regulatory reforms.

Jackson has received regulatory inquiries on an industry-wide matter relating to claims settlement practices and compliance with unclaimed property laws. Concurrently, some regulators and state legislatures have required and others are considering proposals that would require life insurance companies to take additional steps to identify unreported deceased policy and contract holders. Additionally, numerous states are contracting with independent firms to perform specific unclaimed property audits or targeted market conduct examinations covering claims settlement practices and procedures for escheating unclaimed property. One such firm has been contracted by treasury departments of numerous states to perform an examination of Jackson's practices for handling unclaimed property. Any regulatory audits, related examination activity and internal reviews may result in additional payments to beneficiaries, escheatment of funds deemed abandoned under state laws, administrative penalties and changes in the Jackson's procedures for the identification of unreported claims and handling of escheatable property.

Current or future investigations and proceedings could have an adverse effect on Jackson's business. A substantial legal liability or a significant regulatory action against Jackson could have an adverse effect on its business. Moreover, even if Jackson ultimately prevails in the litigation, regulatory action or investigation, it could suffer significant reputational harm, which could have an adverse effect on its business. Increased regulatory scrutiny and any resulting investigations or proceedings could result in new legal actions or precedents and industry-wide regulations or practices that could adversely affect its business. Although Jackson believes that it has adequately provided in all material respects for the costs of litigation and regulatory matters, no assurance can be provided that such provisions are sufficient.

*Changes in U.S. Federal Income Taxation Laws or the Interpretation of Income Tax Laws, Including Any Reduction in Individual Income Tax Rates, May Affect Sales of Jackson's Products and Profitability*

The annuity products that Jackson markets generally provide the policyholder with certain federal income tax advantages. For example, federal income taxation on any increases in non-qualified annuity contract values (*i.e.* the "inside build-up") is deferred until it is received by the policyholder. With other savings investments, such as certificates of deposit and taxable bonds, the increase in value is generally taxed each year as it is realized. Additionally, life insurance death benefits are generally exempt from income tax.

From time to time, various tax law changes have been proposed that could have an adverse effect on Jackson's business, including the elimination of all or a portion of the income tax advantages described above for annuities and life insurance. If legislation were enacted to eliminate the tax deferral for annuities, such a change would have an adverse effect on Jackson's ability to sell non-qualified annuities. Non-qualified annuities are annuities that are not sold to a qualified retirement plan.

Distributions from non-qualified annuity policies are considered "investment income" for purposes of the Medicare tax on investment income contained in the Health Care and Education Reconciliation Act of 2010. As a result, in certain circumstances a 3.8% tax ("**Net Investment Income Tax**") may be applied to some or all of the taxable portion of distributions from non-qualified annuities to individuals whose income exceeds certain threshold amounts. This tax may have an adverse effect on Jackson's ability to sell non-qualified annuities to individuals whose income exceeds these threshold amounts and could accelerate withdrawals due to additional tax.

*Prudential plc*

Prudential UK indirectly owns all of the outstanding capital stock of Jackson and therefore is in a position to elect all of the directors of Jackson and to exercise control over the business and affairs of Jackson, including its payment of shareholder dividends or other amounts to Prudential UK or any of its affiliates. Jackson is currently a party to an investment management agreement with PPM America, which is indirectly owned by Prudential UK, and a tax allocation agreement with Brooke Life Insurance Company ("**Brooke Life**"), which is another indirect subsidiary of Prudential UK. Although management believes these agreements are no less favorable to Jackson than could be obtained from an unaffiliated third party, any agreements entered into in the future between Jackson and Prudential UK or its affiliates, or renewals or amendments to existing agreements, may or may not be on terms as favorable as those that could be obtained from unaffiliated third parties.

Rating agencies have cited Prudential UK's ownership of Jackson, the relative importance of Jackson to Prudential UK's business and Prudential UK's historical capital contributions to Jackson as among the many factors

supporting Jackson's ratings. As a result, a deterioration in the rating of Prudential UK, a change of ownership of Jackson or other changes in the nature of the relationship between Jackson and Prudential UK could adversely affect the ratings of Jackson.

Furthermore, although currently Jackson is not directly subject to non-U.S. regulation, Jackson may be significantly affected by foreign regulatory actions, due to Jackson being under the control of Prudential UK. Jackson is unable to predict how any such regulations could affect the way Prudential UK conducts its business and manages capital, or to what extent any resulting changes in the way Prudential UK conducts its business or manages capital could affect Jackson's business, Jackson's relationship with Prudential UK or Jackson's results of operations, financial condition and liquidity. One source of potential change in the regulations applied to Prudential UK and its subsidiaries is the designation of Prudential UK as a "systemically important institution" by the Financial Stability Board, which consists of representatives of national financial authorities of the Group of Twenty nations. In addition, the prudential regulation of insurance and reinsurance companies across the European Economic Area is due for significant change under the Solvency II Directive, which was adopted on November 25, 2009 and is expected to be implemented as of January 1, 2016. The Solvency II Directive will effect a full revision of the European insurance industry's solvency framework and prudential regime (in particular minimum capital and solvency requirements, governance requirements, risk management and public reporting standards) and will impose, among other things, group level supervision mechanisms. Jackson cannot predict at this time if and how this new designation or the Solvency II Directive will impact Jackson.

Prudential UK is not in any way, directly or indirectly, obligated with respect to the Funding Agreements, which are solely the obligations of Jackson.

Additionally, Prudential UK is not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America.

## CURRENCIES

Each Series of Notes may be denominated in any currency or currencies, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Notes may be made in the currency in which the Notes are denominated and may also be made in and/or linked to any currency or currencies other than the currency in which such Notes are denominated. All Tranches of Notes within the same Series will be denominated in and made in and/or linked to the same currency or currencies.

In this Offering Memorandum, references to “**U.S. Dollars**,” “**Dollars**,” “**\$**,” and “**U.S.\$**” are to the currency of the United States, references to “**Euro**,” “**Euros**” and “**€**” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the treaty establishing the European Community, as amended by the Treaty on European Union, references to “**Swiss Francs**,” “**Sfr**” and “**CHF**” are to the currency of Switzerland, references to “**Japanese Yen**,” “**Yen**” and “**¥**” are to the currency of Japan, references to “**C\$**” are to the currency of Canada, and references to “**Sterling**” and “**£**” are to the currency of the United Kingdom on the date hereof.

## FORWARD-LOOKING STATEMENTS

This Offering Memorandum does contain forward looking statements. Those statements appear in a number of places including, but not limited to, under the headings “Business of Jackson” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Such statements include statements regarding the belief or current expectations of the management of Jackson concerning its future financial condition and results of operations, including its expected operating and non-operating relationships, ability to meet debt service obligations and financing plans, product sales, distribution channels, retention of business, investment yields and spreads, investment portfolio and ability to manage asset-liability cash flows. Prospective investors are cautioned that any such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward looking statements as a result of various factors. The accompanying information contained in this Offering Memorandum, including without limitation the information set forth under the heading “Risk Factors,” identifies important factors that could cause such differences.

None of the Trust, any Series Trust or Jackson intends, or is under any obligation, to update any particular forward-looking statement included in this Offering Memorandum

## USE OF PROCEEDS

The net proceeds to the relevant Series Trust from each offering of the Notes of such Series Trust will be used immediately by the Trust to purchase one or more Funding Agreements identified in the applicable Final Terms.

## JACKSON NATIONAL LIFE GLOBAL FUNDING

Jackson National Life Global Funding is a statutory trust organized in series under Delaware law pursuant to the Master Trust Agreement and the filing of the Certificate of Trust. The Trust was created to facilitate a program for the issuance, from time to time, of discrete series of Notes (which are considered to be asset-backed securities for the purposes of the Prospectus Directive) issued by particular Series Trusts and secured by Funding Agreements entered into between Jackson and such Series Trust. The registered office of the Trust is Jackson National Life Global Funding c/o Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, its telephone number is 302-636-6104 and the organizational identification number of the Trust is 3383546.

The Trust Series with respect to a designated series of the Trust will be the Series Trust for a particular Series of the Notes. The Series Trust's business and affairs will be conducted by the Administrative Trustee pursuant to the terms of a Series Trust Agreement (the "**Series Trust Agreement**"). Under the Series Trust Agreement, Wilmington Trust Company has agreed to serve as Administrative Trustee of the Trust until such time as the Series Trust Agreement is terminated. The Series Trust Agreement shall be terminated following the payment to each of the Noteholders of the relevant series of Notes and the beneficial interest owner of the relevant beneficial interest of all amounts required to be paid to them pursuant to such series of Notes, the relevant Series Indenture, the Master Trust Agreement, the relevant Series Trust Agreement and other program documents. The Series Trust Agreement will incorporate the Master Trust Agreement (the "**Trust Terms**"). In addition to issuing the Notes, subject to the provisions of the applicable Final Terms, each Series Trust will also issue a \$100 beneficial interest certificate (the "**Beneficial Interest Certificate**") to the Depositor. Under the relevant Series Trust Agreement, each Series Trust will be authorized and directed to issue the relevant series of Notes and the relevant Beneficial Interest Certificate and to purchase the relevant Funding Agreement. In addition, the relevant Series Trust Agreement will provide that each such Series Trust will exist for the exclusive purposes of (i) issuing and selling the Notes of the relevant series and the relevant Beneficial Interest Certificate, (ii) using the proceeds from the sale of the Notes to acquire a Funding Agreement (iii) paying amounts due on the Notes of the relevant series, (iv) entering into the relevant Series Indenture and (v) engaging in only those other activities necessary or incidental thereto. Accordingly, subject to the provisions of the applicable Final Terms, the relevant Funding Agreement and the \$100 consideration received upon the issuance of the Beneficial Interest Certificate will be the sole assets of each Series Trust, and payments under the Funding Agreement will be the sole source of income of the Series Trust.

In no event will the Noteholders have any right to appoint, remove or replace the Administrative Trustee. The duties and obligations of the Administrative Trustee for a relevant Series Trust will be governed by the Series Trust Agreement relating to such Series Trust.

*Financial Statements.* Delaware law does not require that the Trust or any Series Trust prepare financial statements. Accordingly, no financial statements have been made up as of the date of this Offering Memorandum with respect to the Trust or any Series Trust and it is not intended that any such financial statements will be prepared. If and when prepared, copies of the financial statements of the Trust generally and with respect to any Series Trust will be made available free of charge from the Trust at its offices c/o Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, such financial statements will also be available free of charge from the principal office of the Irish Paying Agent for prospective holders of Notes admitted to trading on the regulated market of the Irish Stock Exchange and from the principal offices of the Paying Agent(s) for prospective holders of Notes not admitted to trading on the regulated market of the Irish Stock Exchange, in each case as provided under "Available Information."



## CAPITALIZATION OF JACKSON NATIONAL LIFE GLOBAL FUNDING

The following table sets forth the capitalization of the Trust as of the date indicated below under statutory accounting practices:

	<b>As at September 4, 2014 (unaudited)</b>
Outstanding Debt Securities	
4.70% Notes due 2018 .....	150,000,000
1.25% Notes due 2017 .....	300,000,000
2.30% Notes due 2019 .....	500,000,000
Floating Rate Notes due 2015 .....	350,000,000
	<hr/>
Total Debt .....	1,300,000,000
Equity	
Paid in capital .....	400
Retained Earnings .....	0
Accumulated other comprehensive income .....	0
	<hr/>
Total equity .....	400
	<hr/>
Total capitalization .....	<u>\$1,300,000,400</u>

The Trust has confirmed that it has incurred no additional borrowings, and that there have been no changes in the capitalization of the Trust since September 4, 2014.

## **SELECTED STATUTORY FINANCIAL INFORMATION OF JACKSON**

The Notes are not obligations of, and are not guaranteed by, Jackson, its parent companies, or any of its or their respective subsidiaries or affiliates. In addition, the obligations under the Funding Agreements are solely obligations of Jackson and are not guaranteed by any of Jackson's parent companies, or any of its or their respective subsidiaries or affiliates or any other person. The selected financial information of Jackson set forth below has been compiled on an unconsolidated basis and determined in accordance with statutory accounting practices ("SAP"). Jackson does not prepare consolidated statutory financial statements.

The selected financial information set forth below, should be read in connection with, and is qualified in its entirety by reference to, the Statutory Financial Statements of Jackson as of and for each of the years ended December 31, 2013 and 2012, which are included elsewhere in this Offering Memorandum and have been audited by KPMG LLP, independent auditors. The selected unaudited financial information includes unaudited financial information as of June 30, 2014 and for the six months ended June 30, 2014 and 2013, which are also included elsewhere in this Offering Memorandum. The audited Statutory Financial Statements included herein were prepared in conformity with accounting practices prescribed or permitted by the Michigan Department of Insurance and Financial Services, which differ in certain significant respects from U.S. GAAP and from IFRS. See "Summary of Principal Differences between Statutory Accounting Principles and U.S. GAAP" and "Summary of Principal Differences between Statutory Accounting Principles and IFRS", included elsewhere in this Offering Memorandum. The audited Statutory Financial Statements included herein do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position, results of operations or cash flows of Jackson; however, the Statutory Financial Statements present fairly, in all material respects, the admitted assets, liabilities, capital and surplus of Jackson and the results of its operations and its cash flow in conformity with accounting practices prescribed or permitted by the Michigan Department of Insurance and Financial Services. The information presented below should be read in connection with and is qualified in its entirety by reference to the aforementioned Statutory Financial Statements of Jackson, including the notes thereto, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and other information included elsewhere in this Offering Memorandum.

**Jackson National Life Insurance Company**  
**Statutory Statements of Operations**  
(in thousands)

	<b>Six months ended June 30,</b>		<b>Year ended December 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2013</b>	<b>2012</b>
	(Unaudited)		(Audited)	
<b>Income:</b>				
Premium and annuity considerations	\$ 12,989,676	\$ 11,513,309	\$ 22,736,186	\$ 18,356,301
Considerations for supplementary contracts with life contingencies	1,204	-	-	28,092
Net investment income	1,892,398	1,805,032	3,659,891	3,689,118
Amortization of interest maintenance reserve	59,473	67,740	174,784	199,622
Fee income from separate accounts	1,317,037	1,033,805	2,217,511	1,690,382
Commissions and expense allowances on reinsurance ceded	27,231	30,108	58,055	392,175
Other income	117,608	88,690	197,845	459,759
Total income	<u>16,404,627</u>	<u>14,538,684</u>	<u>29,044,273</u>	<u>24,815,449</u>
<b>Benefits and other deductions:</b>				
Death and other benefits:	6,470,866	5,499,312	11,332,008	10,294,322
Increase (decrease) in aggregate reserves	(328,050)	223,807	(390,569)	(3,470,411)
Commissions	955,435	814,816	1,650,269	1,776,387
General insurance expenses	262,373	270,193	560,011	623,624
Taxes, licenses and fees	34,367	33,769	59,431	52,389
Expenses on Aurora Modco Agreement	-	-	-	105,391
Amortization of value of business acquired and goodwill	34,271	34,025	82,870	19,414
Interest on funds withheld treaties	150,276	146,488	296,693	215,629
Net transfers to separate accounts	7,277,724	6,181,045	12,516,044	12,436,062
Change in loading and other	(8,337)	(1,408)	18,383	(2,097)
Total benefits and other deductions	<u>14,848,925</u>	<u>13,202,047</u>	<u>26,125,140</u>	<u>22,050,710</u>
Gain from operations before federal income tax expense, dividends to policyholders and net realized capital losses	1,555,701	1,336,637	2,919,132	2,764,738
Dividends to policyholders	5,471	5,730	10,071	11,896
Gain from operations before federal income tax and net realized capital losses	<u>1,550,231</u>	<u>1,330,907</u>	<u>2,909,061</u>	<u>2,752,842</u>
Federal income tax expense	371,366	316,544	562,272	703,604
Gain from operations before net realized capital losses	<u>1,178,865</u>	<u>1,014,363</u>	<u>2,346,788</u>	<u>2,049,238</u>
Net realized capital losses, net of capital gains tax and net of transfers to the IMR	(532,355)	(913,603)	(1,605,469)	(1,202,008)
Net income	<u>\$ 646,510</u>	<u>\$ 100,760</u>	<u>\$ 741,319</u>	<u>\$ 847,230</u>

**Jackson National Life Insurance Company**  
**Statutory Statements of Admitted Assets,**  
**Liabilities, Capital and Surplus**  
(in thousands, except per share information)

	<b>June 30,</b>	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>	<b>2012</b>
	(Unaudited)	(Audited)	
<b>Admitted Assets</b>			
Bonds	\$ 45,921,013	\$ 45,406,807	\$ 45,468,633
Stocks:			
Preferred, at statement value	382	382	1,386
Common stock, at fair value	487,515	464,227	338,787
Subsidiaries, on equity basis	386,750	372,677	318,811
Cash and short-term investments	321,039	349,124	443,197
Mortgage loans	5,951,752	6,066,903	5,521,251
Policy Loans	4,290,695	4,360,855	4,263,356
Limited partnership interests	1,487,928	1,524,483	1,612,118
Real estate, net of encumbrance	132,794	116,917	106,720
Derivatives	129,513	358,529	371,327
Other invested assets	328,236	94,971	183,985
Total cash and invested assets	59,437,617	59,115,875	58,629,571
Investment income due and accrued	895,827	780,490	768,007
Premiums deferred and uncollected	167,692	132,878	115,781
Federal income taxes receivable	55,896	128,737	235,484
Net deferred tax asset	551,887	648,794	770,445
Value of business acquired at goodwill	418,199	452,469	516,255
Amounts due from reinsurers	72,153	46,142	89,396
Other admitted assets	29,635	33,985	138,015
From separate accounts statement	114,940,571	102,494,340	75,557,457
<b>Total admitted assets</b>	<b>\$ 176,569,477</b>	<b>\$ 163,833,710</b>	<b>\$ 136,820,411</b>
<b>Liabilities, Capital and Surplus</b>			
<b>Liabilities:</b>			
Aggregate reserves for life, accident and health and annuity contracts	\$ 49,494,533	\$ 49,822,583	\$ 50,213,151
Liability for other deposit-type contracts	6,113,656	5,425,076	5,364,453
Policy and contract claims	641,295	681,250	634,832
Other contract liabilities	45,243	34,860	39,681
Remittances in process	39,956	44,246	57,464
Interest maintenance reserve	451,478	403,173	409,741
Commissions payable and expense allowances on reinsurance assumed	81,464	91,132	75,969
Asset valuation reserve	476,268	435,364	400,240
Funds held under reinsurance treaties with unauthorized and certified reinsurers	3,433,476	3,379,532	3,229,459
General expenses and taxes due and accrued	145,533	222,543	245,602
Accrued transfers to separate accounts	(5,115,488)	(4,863,317)	(4,225,395)
Borrowed money and interest thereon	350,004	200,011	-
Repurchase agreements	202,322	415,271	-
Payable for securities lending	241,407	86,998	144,125
Derivatives	(68,941)	877	(159,413)
Other liabilities	859,827	605,952	536,887
From separate accounts statement	114,940,571	102,494,340	75,557,457
Total liabilities	172,332,604	159,479,891	132,524,253
<b>Capital and Surplus:</b>			
Capital stock (par value \$1.15 per share; 50,000 shares authorized; 12,000 shares issued and outstanding)	13,800	13,800	13,800
Surplus notes	249,414	249,401	249,377
Gross paid-in and contributed surplus	3,233,811	3,233,811	3,233,811
Special surplus funds	(219,738)	1,250	(580,531)
Unassigned surplus	959,584	855,557	1,379,701
Total capital and surplus	4,236,872	4,353,819	4,296,158
<b>Total liabilities, capital and surplus</b>	<b>\$ 176,569,477</b>	<b>\$ 163,833,710</b>	<b>\$ 136,820,411</b>

**Jackson National Life Insurance Company**  
**Statutory Statements of Cash Flow**  
(in thousands)

	Six months ended June 30,		Year ended December 31,	
	2014	2013	2013	2012
	(Unaudited)		(Audited)	
<b>Cash from Operations:</b>				
Operating receipts:				
Premiums and annuity considerations	\$ 12,981,937	\$ 11,511,970	\$ 22,731,874	\$ 18,381,001
Net investment income	1,763,555	1,672,606	3,418,573	3,545,707
Other	1,459,045	1,130,254	2,463,140	2,221,432
Total cash received from operations	16,204,537	14,314,830	28,613,586	24,148,140
Operating disbursements:				
Benefit payments	6,425,165	5,323,665	11,021,542	9,573,628
Commissions, general expenses and taxes	1,336,601	1,334,095	2,239,492	2,780,653
Net transfers to separate accounts	7,529,895	6,530,750	13,153,966	13,324,308
Federal income taxes	101,003	(168,909)	(263,235)	256,161
Total cash disbursed from operations	15,392,664	13,019,601	26,151,765	25,934,750
<b>Net cash from operations</b>	<b>811,873</b>	<b>1,295,229</b>	<b>2,461,821</b>	<b>(1,786,610)</b>
<b>Cash from Investments:</b>				
Proceeds from investments sold, matured, or repaid:				
Bonds	2,578,738	2,883,838	5,596,911	9,945,245
Stocks	69,175	41,631	161,991	144,052
Mortgage loans	672,819	529,017	1,088,851	973,771
Real estate	1	-	5	-
Limited partnerships and other invested assets	(139,773)	(453,725)	(724,995)	14,901,213
Total investment proceeds	3,180,960	3,000,761	6,122,763	25,964,281
Cost of investments acquired:				
Bonds	2,955,546	2,459,285	5,332,126	5,456,811
Stocks	77,707	112,325	237,661	205,465
Mortgage loans	570,250	797,512	1,632,748	1,212,744
Real estate	17,597	7,569	13,609	8,006
Limited partnerships and other invested assets	540,735	578,982	1,573,436	16,560,429
Total investments acquired	4,161,835	3,955,673	8,789,580	23,443,455
Net decrease (increase) in policy loans	70,159	40,617	(97,499)	(49,065)
<b>Net cash from investments</b>	<b>(910,716)</b>	<b>(914,294)</b>	<b>(2,764,316)</b>	<b>2,471,761</b>
<b>Cash from financing and miscellaneous sources:</b>				
Other cash provided (applied):				
Surplus notes	-	-	-	23
Borrowed funds	150,000	-	195,000	(155,000)
Net deposits on deposit-type contracts	688,579	(408,139)	(55,092)	(219,430)
Dividend paid to stockholder	(600,000)	(507,000)	(507,000)	(400,000)
Other	(167,822)	508,466	575,514	(220,633)
<b>Net cash from financing and miscellaneous sources</b>	<b>70,757</b>	<b>(406,672)</b>	<b>208,421</b>	<b>(995,040)</b>
Net change in cash and short-term investments	(28,085)	(25,737)	(94,073)	(309,889)
Cash and short-term investments at beginning of period	349,124	443,197	443,197	753,086
Cash and short-term investments at end of period	\$ 321,039	\$ 417,461	\$ 349,124	\$ 443,197
<b>Non-cash transactions:</b>				
Reserve transfer pursuant to reinsurance recapture	-	-	-	(2,357,285)
Bonds received in consideration of reinsurance premium	-	-	-	(1,929,191)

## BUSINESS OF JACKSON

Jackson is a stock life insurance company organized under the laws of the State of Michigan and a wholly owned subsidiary of Brooke Life, which is ultimately a wholly owned subsidiary of Prudential UK. Jackson is a leading provider of long-term savings and retirement products to retail and institutional customers and specializes in the sale of fixed annuities, FIAs, variable annuities, GICs and funding agreements. The rights of Prudential UK as a shareholder in Jackson are set out in the Articles of Incorporation and By-laws of Jackson. Jackson is managed by its directors in accordance with its Articles of Incorporation and By-laws. GICs and funding agreements are referred to collectively as “**Institutional Products**.” As of December 31, 2013, Jackson had statutory assets of \$163.83 billion and statutory capital and surplus of \$4.35 billion. Jackson was incorporated on June 19, 1961, is domiciled in Michigan and has its principal place of business and registered office at 1 Corporate Way, Lansing, Michigan 48951. Its telephone number is 517-381-5500 and its U.S. Federal Employer ID number is 38-1659835.

Jackson, together with its New York subsidiary, Jackson National Life Insurance Company of New York, is admitted to conduct life insurance and annuity business in the District of Columbia, all fifty states, the Cayman Islands, and Canada. Jackson distributes products through a broad spectrum of distribution channels, including independent insurance agents and agencies, independent registered representatives of Jackson’s broker-dealer affiliates and non-affiliated broker-dealers, banks and other financial institutions.

### Business

Jackson’s mission is to lever its relationship-based distribution model, innovative products, flexible and scalable information technology platform and advantaged cost position to seize the opportunities created by the changes occurring in the retirement services market, and continue its track record of profitable growth. Jackson continually revises, re-prices and enhances its existing products and introduces new products, including new fixed annuities, variable annuities, FIAs and Institutional Products. Jackson ceased retail sales of life insurance in 2012. Jackson intends to seek growth through a balanced distribution of its product portfolio and by opportunistically writing Institutional Products when Jackson believes it can achieve an adequate return on capital. To complement Jackson’s organic growth, it will explore opportunities for acquisitions that meet or exceed its targeted rate of return, primarily in the area of life insurance, which produces very stable cash flows.

On September 4, 2012, Jackson completed the acquisition of SRLC America Holding Corp (“**SRLC**”) from Swiss Re Life Capital Ltd. (“**Swiss Re**”) for a preliminary purchase price of \$663 million, which was subject to post-closing adjustments. In 2013, after finalizing the opening balance sheet and the resolution of purchase price discussions with Swiss Re, the final purchase price was settled at \$605 million. SRLC was the U.S. holding company of Reassure America Life Insurance Company (“**REALIC**”). SRLC’s primary subsidiary was REALIC, which was merged into Jackson on December 31, 2012. REALIC’s primary business activity involved the acquisition of blocks of life insurance. In addition to REALIC, SRLC had other insignificant subsidiaries. Subsequent to the purchase, SRLC was dissolved and its subsidiaries became direct subsidiaries of Jackson.

Jackson distributes products in all 50 states of the United States and in the District of Columbia, although not all products are available in all states. Operations in the state of New York are conducted through the New York insurance subsidiary. Jackson markets its retail products primarily through advice based distribution channels, including independent agents, independent broker-dealer firms, regional broker-dealers, and wirehouses, banks and registered investment advisors. Through August 2012, Jackson also marketed life insurance and fixed annuity products through its captive insurance agency.

Jackson focuses on independent distribution systems and supports its network of independent agents and advisers with education and training programs.

Jackson’s subsidiary, Jackson National Life Distributors, LLC (“**JNLD**”), is the primary marketing and distribution organization for Jackson’s annuities. The annuity products are distributed through independent agents located throughout the United States. These approximately 20,000 appointed insurance agents or brokers at December 31, 2013, who also may represent other companies, are supported with marketing materials and multimedia presentations to help advisers choose the right solutions for their clients’ individual financial situations. JNLD generally deals directly with writing agents and brokers thereby eliminating intermediaries, such as general

agents. This distribution channel has enabled Jackson to generate significant volumes of business on a low, variable cost basis.

JNLD's wholesalers meet directly with independent broker dealers and financial planners and are supported by an extensive internal sales staff. At December 31, 2013, Jackson had active selling agreements with independent broker dealer organizations throughout the United States providing access to more than 64,500 appointed agents. Jackson provides training for its broker dealers and also provides them with product information and sales materials.

JNLD's Regional Broker Dealer ("RBD") team provides dedicated service and support to regional brokerage firms and wirehouses. Regional broker dealers are a hybrid between independent broker dealers and wirehouses. Like representatives who work for wirehouses, financial representatives at regional broker dealers are actual employees of the firm. However, unlike wirehouses, RBD firms have limited institutional investment banking services. The RBD team develops relationships with regional firms throughout the U.S. and provides customized materials and support to meet their specialized advisory needs. Jackson's RBD team supports more than 36,400 representatives in regional broker dealers and wirehouses.

Jackson's Institutional Marketing Group distributes annuity products through banks, credit unions and other financial institutions and through third party marketing organizations that serve these institutions. Jackson is a leading provider of annuities offered through banks and credit unions and at December 31, 2013 had access to more than 34,500 financial institution representatives through existing relationships with banks and credit unions. Jackson has established distribution relationships with medium sized regional banks, which it believes are unlikely to develop their own insurance product capability.

Jackson markets its Institutional Products, including traditional GICs, funding agreements and medium-term note funding agreements, through its Institutional Products Department. Jackson distributes its Institutional Products directly to investors, through investment banks, or through intermediaries to plan sponsors or other eligible purchasers.

In connection with the acquisition of Life of Georgia in 2005, Jackson established the JNL Southeast Agency ("JNLSA"), the company's first captive agency since 1970. JNLSA was formed to help retain the Life of Georgia book of business and to create a new distribution channel for Jackson's life insurance. In conjunction with Jackson's withdrawal from retail life insurance sales, this agency was terminated in 2012.

Curian Capital, LLC is Jackson's registered investment adviser channel. The registered investment adviser industry began as a service offered to very high net worth investment clients, focusing on platforms rather than specific products, and providing institutional quality management, custom portfolios and tax services. The industry has evolved to offer personalized investment advice, high-quality money management, good returns and reasonable costs to a broader range of clients.

Jackson is also affiliated with the broker-dealer network National Planning Holdings, Inc., which consists of four broker-dealers: National Planning Corporation, SII Investments, Inc., INVEST Financial Corporation and Investment Centers of America, Inc.

Jackson has transformed itself over the years from a company that initially focused on individual life and fixed annuities sold through a single distribution channel into one with a diversified line of products and the ability to distribute multiple products through multiple channels in varying economic conditions.

## **Product Suite**

Jackson develops and distributes products that address the retirement needs of its customers through various market cycles, which include variable annuities, fixed annuities, fixed index annuities, and separately managed accounts. As would be expected in the current historically low interest rate environment, variable annuities continue to outsell fixed rate products. One of the main attractions of a variable annuity product is the optional lifetime guarantee where customers can access a stream of payments with downside protection, while still being able to invest in a broad range of assets and benefit from the tax deferral on the investment growth within the

product. In March 2012, Jackson developed and launched Elite Access, a variable annuity without guarantees, which offers customers tax deferred growth and access to a wide range of alternative investments. The success of Elite Access has helped increase the diversification of Jackson's product mix with 31 percent (2012: 17 percent) of its 2013 variable annuities sales not featuring living benefit guarantees. As a percentage of total sales, variable annuities with living benefit guarantees are at their lowest since 2008. While sales of fixed annuities and fixed index annuities have been lower recently in line with the market, they still make up a significant portion of Jackson's balance sheet and earnings.

Jackson continues to proactively balance value, volume, capital and balance sheet strength across its suite of product offerings, which allows Jackson to compete effectively throughout the economic cycle. Jackson operates within a well-defined risk framework aligned with the overall Prudential Group risk appetite. The type and number of products it sells remains balanced with the acceptance of risks Jackson retains. Jackson's conservative and disciplined economic approach to pricing is designed to achieve both adequate returns on its products and sufficient resources to support its hedging program.

## **Investment Strategy**

Jackson's overall investment strategy is to maintain a diversified and largely investment grade fixed income portfolio and achieve risk-adjusted returns that support the pricing of its products while maintaining adequate liquidity.

Jackson has developed an investment program that is designed to maximize risk-adjusted total returns within the context of a largely fixed income portfolio and to provide a competitive rate of return which will support the profitable growth of its business. Key to this overall program is the implementation of policies that promote asset management activities whose cornerstone is a neutral asset allocation. Jackson views this neutral asset allocation in terms of publicly available indices which represent the investable universe. The indices chosen to represent this universe have been tailored to exclude certain asset classes which are not an appropriate holding in a neutral context. Recognizing the tradeoffs between the level of risk desired in the portfolio, the amount of capital available and the required return, the largest asset allocation is to investment grade securities. However, asset allocation decisions take into account the benefits of diversification across both collateral types and asset classes. To this end, the neutral asset allocation strategy of Jackson includes target allocations to commercial mortgages, high yield bonds and equities. While Jackson believes the use of indices allows for better information on investment performance relative to the range of practical investment alternatives, ultimate investment objectives are not focused solely on total return.

The focus of this investment strategy is for Jackson, through PPM America, Inc. ("**PPM America**"), an affiliated company which manages all of Jackson's invested assets, to originate more of its investments rather than simply participate in transactions originated by banks, investment banks, commercial finance companies and other intermediaries.

## **Investment Risks**

Jackson's investment portfolio primarily consists of investment-grade, fixed maturity securities, including residential mortgage-backed securities ("**MBSS**") and collateralized mortgage obligations. The fair value of these and Jackson's other invested assets fluctuates depending on market and other general economic conditions and the interest rate environment and may be adversely impacted by other economic factors. For various reasons, including if necessary to meet unanticipated surrenders, Jackson may, from time to time, be required to sell certain of its investments at prices less than their book values, resulting in capital losses and a reduction in surplus. In addition, commercial mortgage loans, many of which have balloon payment maturities, and privately placed fixed maturity securities, are generally illiquid and may carry a greater risk of investment loss than public securities.

Credit risk is the risk that issuers of investments owned by Jackson may default or that other parties may not be able to pay amounts due to Jackson. Jackson targets to invest approximately 8% of its cash and invested assets portfolio in below investment grade securities. Recently, Jackson has been tactically defensive and well below target levels. Below investment grade securities are considered, on balance, as predominately speculative with respect to capacity to pay interest and repay principal in accordance with the terms of the obligation and generally



will involve more credit risk than securities in the higher rating categories. Jackson manages its investments to limit credit risk by diversifying its portfolio. However, there can be no assurance that material credit losses can be avoided.

## **Ratings and Other Information**

Jackson's insurer financial strength is rated AA (Very Strong) by S&P, A1 (Good) by Moody's, and AA (Very Strong) by Fitch. Jackson has been issued an AM Best Rating of A+ (Superior) by A.M. Best. Jackson's short-term credit ratings are A-1+ (S&P), and Prime-1 (Moody's).

Jackson's ultimate parent, Prudential UK is headquartered in London, England. It is a leading global provider of financial services with operations in the United Kingdom, Europe, Asia and the United States (through Jackson and its subsidiaries, together with PPM America and the U.S. broker-dealer operations). Prudential UK has been in existence for over 165 years, serves approximately 23 million insurance customers globally and has \$734 billion of funds under management at year-end 2013. Jackson represents a significant part of Prudential UK's global operations, generating 44% of Prudential UK's 2013 consolidated operating profit, calculated on an IFRS basis, with approximately 20% of groupwide headcount. Prudential UK has one of the United Kingdom's strongest life funds with claims paying ratings of AA by S&P, Aa2 by Moody's and AA by Fitch. Its long-term, senior debt is rated A+ by S&P, A2 by Moody's and A by Fitch.

Prudential UK is not in any way, directly or indirectly, obligated with respect to the Funding Agreements, which are solely the obligations of Jackson.

Additionally, Prudential UK is not affiliated in any manner with Prudential Financial, Inc., a company whose principal place of business is in the United States of America.

## **Insurance Regulation**

Jackson is organized under the laws of the State of Michigan and is subject to regulation and supervision by DIFS and by insurance regulatory authorities in other states of the United States in which it is authorized to transact business. State insurance laws establish supervisory agencies with broad administrative and supervisory powers related to granting and revoking licenses to transact business, regulating marketing and other trade practices, operating guaranty associations, licensing agents, approving policy forms, regulating certain premium rates, regulating insurance holding company systems, establishing reserve requirements, prescribing the form and content of required financial statements and reports, performing financial and other examinations, determining the reasonableness and adequacy of statutory capital and surplus, regulating the type and size of investments permitted, limiting the amount of dividends that can be paid and the size of transactions that can be consummated without first obtaining regulatory approval and other related matters. Certain information and reports that Jackson has filed with DIFS can be inspected during normal business hours at 611 W. Ottawa Street, Lansing, Michigan.

During the last decade, the insurance regulatory framework relating to insurance companies doing business in the United States has been placed under increased scrutiny by various states, the federal government and the NAIC. Various states have considered or enacted legislation that changes, and in many cases increases, the states' authority to regulate insurance companies. Legislation has been introduced from time to time in the United States Congress that could result in the United States federal government assuming some role in the regulation of insurance companies. In recent years, the NAIC has approved and recommended to the states for adoption and implementation several regulatory initiatives designed to reduce the risk of insurance company insolvencies. These new initiatives include new investment reserve requirements, risk-based capital ("**RBC**") standards, ORSA ("Own Risk and Solvency Assessment"), and restrictions on an insurance company's ability to pay dividends to its stockholders.

The NAIC has adopted a revised version of the *Model Insurance Holding Company System Regulatory Act* (the "**Amended Holding Company Model Act**"). The Amended Holding Company Model Act introduces the concept of "enterprise risk" within an insurance holding company system and imposes more extensive informational requirements on parents and other affiliates of licensed insurers or reinsurers, with the purpose of protecting the licensed companies from enterprise risk, including requiring an annual enterprise risk report by the ultimate

controlling person identifying the material risks within the insurance holding company system that could pose enterprise risk to the licensed companies. An enterprise risk is an activity or event involving affiliates of an insurer that could have a material adverse effect on the insurer or the insurer's holding company system. The Amended Holding Company Model Act must be adopted by the individual states for the new requirements to apply. Michigan has not adopted a form of the Amended Holding Company Model Act.

State insurance laws and regulations also include numerous provisions governing the marketplace activities of life and annuity insurers, including provisions governing the form and content of disclosure to consumers, illustrations, advertising, sales practices and complaint handling. State regulatory authorities generally enforce these provisions through periodic market conduct examinations. Insurance regulators have given greater emphasis in recent years to the investigation of allegations of improper life insurance pricing and sales practices by life and annuity insurers, including race-based underwriting or sales practices, misleading sales presentations by insurance agents, particularly targeting the elderly and suitability of product for potential customers. There can be no assurance that any noncompliance with such applicable laws and regulations would not have a material adverse effect on Jackson.

Even though the business of insurance is generally regulated at the state level, Dodd-Frank is significantly changing financial regulation in the United States. Dodd-Frank established a process for establishing nonbank financial companies as systemically important. If such a determination is made by the Financial Stability Oversight Council, a nonbank systemically important financial institution is subject to heightened prudential standards and supervision by the Federal Reserve Board. Although Jackson was not, and does not believe that it will be designated as a systemically important financial institution, other aspects of Dodd-Frank could affect its business, including the writing and trading of derivatives and the sale of certain variable annuity and other products.

Jackson's business may nonetheless still be impacted by the designation of Prudential UK as a "systemically important institution" by the Financial Stability Board. See "Risk Factors —Related to Industry — Prudential plc." In certain circumstances, a federal regulator may require a state regulator to liquidate an insolvent insurer. Dodd-Frank also established the Federal Insurance Office ("**FIO**"), which is authorized to develop federal policy with respect to prudential international insurance matters and to enter into international insurance agreements with foreign regulators. In December 2013, the FIO issued a wide-ranging report on the state of insurance regulation in the U.S. together with a series of recommendations on ways to monitor and improve the regulatory environment. Additional provisions of Dodd-Frank include, among other things, the creation of a new Consumer Financial Protection Bureau to protect consumers of certain financial products, and changes to certain corporate governance rules. The SEC has postponed rule-making on a number of these provisions through 2014. Given the scope of regulatory changes that may result from Dodd-Frank's enactment, Jackson cannot predict Dodd-Frank's impact upon its business, results of operations and financial condition.

Federal law and regulation requires financial institutions to protect the security and confidentiality of customer information and to notify customers about their policies and practices relating to their collection and disclosure of customer information and their policies relating to protecting the security and confidentiality of that information. Federal and state laws also regulate disclosures of customer information. Congress and state legislatures are expected to consider additional regulation relating to privacy and other aspects of customer information.

The ability of Jackson to carry on this business may also be dependent upon its continued registration under the applicable laws or regulations in the jurisdictions in which it does business. Changes in laws or regulations, or in governmental policies, could materially and adversely affect the business and operations of Jackson. Jackson submits on a quarterly basis to DIFS certain reports regarding its statutory financial condition (each, a "**Statutory Statement**" and, collectively, the "**Statutory Statements**"). Each Statutory Statement includes other supporting schedules as of the end of the period to which such Statutory Statement relates. The statutory basis financial statements are prepared in conformity with accounting practices prescribed or permitted by DIFS. Statutory accounting principles differ in certain respects from U.S. GAAP; in some cases such differences may be material. See "Summary of Principal Differences Between Statutory Accounting Principles and U.S. GAAP." Statutory accounting principles also differ in certain respects from IFRS; in some cases such differences may be material. See "Summary of Principal Differences Between Statutory Accounting Principles and IFRS."

Jackson prepares its Statutory Financial Statements in accordance with accounting practices prescribed or permitted by DIFS, which differ in certain respects from the NAIC's statutory accounting practices ("NAIC SAP"). Primary differences affecting the Jackson Statutory Financial Statements include:

- DIFS has excluded Actuarial Guideline 35 as a component of prescribed reserving practices. This guideline requires a certain methodology for providing reserves for FIAs and the associated derivative instruments.
- DIFS has adopted certain prescribed accounting practices that differ from NAIC SAP specifically related to the value of the book of business arising from the acquisition of a subsidiary or through reinsurance allowing it to be fully recognized as an admitted asset if certain criteria are met. In NAIC SAP, goodwill may be admitted in amounts not to exceed 10% of an insurer's capital and surplus, as adjusted.
- DIFS approved the use of a permitted practice allowing Jackson to report the effectiveness of its hedging program related to certain interest rate swaps consistent with the system Jackson adopted in accordance with the Michigan Insurance Code, as opposed to NAIC Statement of Statutory Accounting Principles ("SSAP") No. 86. As a result, hedging transactions thus identified as effective are reported pursuant to the accounting guidance set forth in NAIC SSAP No. 86.
- DIFS adopted Valuation of Life Insurance Policies Model Regulation XXX in 2002 ("**Regulation XXX**"), for policies issued in 2002 and after. NAIC SAP applies Regulation XXX to issues of 2001 and later. Regulation XXX requires certain methodology for providing reserves for term life insurance policies and universal life insurance policies with secondary guarantees.

The aggregate effect of the differences between practices prescribed or permitted by DIFS and NAIC SAP decreased net income and increased capital and surplus in 2013 by \$19.0 million and \$542.6 million, respectively, and increased net income and decreased capital and surplus in 2012 by \$11.7 million and \$19.8 million, respectively.

In December 2012, the NAIC approved a new valuation manual containing a principle-based approach to life insurance company reserves. Principle-based reserving is designed to tailor the reserving process to specific products in an effort to create more precise reserving. The valuation manual containing the principle-based approach will not become effective unless and until it is enacted into law by a minimum number of state legislatures. A number of insurance commissioners, however, have opposed the current form of the principle-based approach. The NAIC has formed a working group to oversee the implementation of principle-based reserving. It is uncertain when the new valuation manual may take effect.

Jackson is subject to regulation under the insurance holding company laws of various jurisdictions. The insurance holding company laws and regulations vary from jurisdiction to jurisdiction, but generally require each controlled insurance company to register with state regulatory authorities and to file with those authorities certain reports, including information concerning their capital structure, ownership, financial condition, certain intercompany transactions and general business operations.

Most of the jurisdictions in which Jackson is admitted to transact insurance business require life insurers doing business within the jurisdiction to participate in guaranty associations, which are organized to pay contractual benefits owed pursuant to insurance policies issued by impaired, insolvent or failed life insurers. These associations levy assessments, up to prescribed limits, on all member insurers in a particular state on the basis of the proportionate share of the premiums written in such state by member insurers in the lines of business in which the impaired, insolvent or failed insurer is engaged. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets. In none of the past three years have the aggregate assessments levied against Jackson been material to the financial condition of Jackson.

Jackson is subject to state laws and regulations that require diversification of its investment portfolios and limit the amount of investments in certain asset categories, such as below investment-grade fixed income securities, equity real estate, mortgages, other equity investments, foreign investments and derivatives. Failure to comply with these laws and regulations would cause investments exceeding regulatory limitations to be treated as nonadmitted

assets for purposes of measuring surplus and, in most instances, would require divestiture of such non-qualifying investments. Jackson believes that the investments made by Jackson complied with such laws and regulations at December 31, 2013.

Jackson has received regulatory inquiries on an industry-wide matter relating to claims settlement practices and compliance with unclaimed property laws. Concurrently, some regulators and state legislatures have required life insurance companies to take additional steps to identify unreported deceased policy and contract holders. Additionally, certain states are contracting with independent firms to perform specific unclaimed property audits or targeted market conduct examinations covering claims settlement practices and procedures for escheating unclaimed property. Any regulatory audits, related examination activity and internal reviews may result in additional payments to beneficiaries, escheatment of funds deemed abandoned under state laws, administrative penalties and changes in Jackson's procedures for the identification of unreported claims and handling of escheatable property.

## **Competition**

Jackson's competitors include major stock and mutual insurance companies, mutual fund organizations, banks and other financial services companies. National banks, in particular, may become more significant competitors in the future for insurers who sell annuities, as a result of recent legislation, court decisions and regulatory actions. Jackson does not have a career agency sales force to distribute its annuity products in the United States and, consequently, competes for distributors such as banks, broker-dealers and independent agents.

## **Risk Based Capital**

The NAIC has developed RBC standards for life insurance companies as well as a model act for state legislatures to enact. The model act requires that life insurance companies report on a RBC formula standard that they calculate by applying factors to various asset, premium and reserve items and separate model based calculations of risk associated primarily with variable annuity products. The RBC formula takes into account the risk characteristics of a company, including asset risk, insurance risk, interest rate risk, market risk and business risk. The NAIC designed the formula as an early warning tool to identify potentially inadequately capitalized companies for purposes of initiating regulatory action.

Any state adopting the model act gives the state insurance commissioner explicit regulatory authority to require various actions by, or take various actions against, insurance companies whose adjusted capital does not meet minimum RBC standards. DIFS takes into account the NAIC's RBC standards to determine compliance with Michigan insurance law.

At December 31, 2013, Jackson's total adjusted capital under the NAIC's definition substantially exceeded Michigan standards.

Effective December 31, 2008, Jackson initially received approval from DIFS regarding the use of a permitted practice. The permitted practice is up for renewal annually and has been extended by DIFS through October 1, 2014. Any increase to surplus resulting from the permitted practice may not be considered by Jackson when determining the surplus available for dividends, nor in the determination of the nature of dividends as ordinary or extraordinary.

The permitted practice allows Jackson to report the effectiveness of its hedging program related to certain interest rate swaps consistent with the system Jackson has adopted in accordance with Section 943 (2) of the Michigan Insurance Code, as opposed to NAIC SSAP No. 86. As a result, hedging transactions thus identified as effective are reported pursuant to the accounting guidance set forth in NAIC SSAP No. 86. The effect of this permitted practice, reflected as special surplus funds, was to increase capital and surplus by \$1.9 million (\$1.2 million after tax) at December 31, 2013 and decrease capital and surplus by \$893.1 million (\$580.5 million after tax) at December 31, 2012, with no effect on income.

The effect of the permitted practice was to decrease the authorized control level RBC, as shown on Jackson's annual statement (the "**Authorized Control Level RBC**") by \$52 thousand and \$3.4 million in 2013 and

2012, respectively. Additionally, total adjusted capital was increased by \$1.2 million at December 31, 2013 and was decreased by \$580.5 million at December 31, 2012.

In compliance with DIFS instructions, the impact of this permitted practice on assets was reported in the Annual Statement Assets page as a separate write-in line. On the Annual Statement Summary of Operations – Capital and Surplus Account, the impact of the interest rate swaps adjustment was included as a separate write-in line for gains and losses in surplus. In the accompanying Statutory Statements of Admitted Assets, Liabilities, Capital and Surplus, the impact is included in derivatives and special surplus funds. In the accompanying Statutory Statements of Capital and Surplus, the impact is included in a separate line for change in surplus as a result of permitted practice.

### **IRIS Ratios**

The NAIC has established the Insurance Regulatory Information System, or “IRIS”, to assist state insurance departments in their oversight of the financial condition of insurance companies operating in their respective states. IRIS is a series of financial ratios calculated by the NAIC based on financial information submitted by insurers on an annual basis. Each ratio has an established “usual range” of results. The NAIC shares the IRIS ratios calculated for each insurer with the interested state insurance departments. Generally, an insurance company may be subject to regulatory scrutiny and action if its ratios fall outside specified ranges.

### **Legal Proceedings**

Jackson is involved in litigation arising in the ordinary course of business. It is the opinion of management that the ultimate disposition of such litigation will not have a material adverse affect on Jackson’s financial condition. Jackson has been named in civil litigation proceedings, which appear to be substantially similar to other class action litigation brought against many life insurers including a modal premium case and allegations of misconduct in the sale of insurance products. Jackson accrues for legal contingencies once the contingency is deemed to be probable and estimable. At December 31, 2013 and 2012, Jackson had recorded accruals totaling \$18.4 million and \$32.9 million, respectively.

### **Directors and Executive Officers of Jackson**

The following table lists Jackson’s directors and executive officers and their positions with Jackson as of December 31, 2013:

<b><u>Name of Officer</u></b>	<b><u>Position</u></b>
Michael A. Wells	Chief Executive Officer, President and Chairman of the Board
P. Chad Myers	Chief Financial Officer, Executive Vice President and Director
James R. Sopha	Chief Operating Officer and Director
Thomas P. Hyatte	Chief Risk Officer and Senior Vice President and Director
Clifford J. Jack	Head of Retail and Executive Vice President
Leandra R. Knes	Director

Jackson’s CEO, Michael A. Wells, is a member of the Board and Group Executive Committee of Prudential UK.

The business address of each director and officer of Jackson is 1 Corporate Way, Lansing, Michigan 48951.

Except as disclosed in this Offering Memorandum, so far as each of Jackson and the Trust is aware, no person involved in the offer of the Notes has an interest material to the issue and the offer of the Notes.

Except as described in this Offering Memorandum, to the knowledge of Jackson there are no potential conflicts of interests between any duties of Jackson's directors or executive management to Jackson or in connection with the offer of the notes by Jackson National Life Global Funding arising from their private interests or other duties.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The discussion that follows with respect to Jackson's results of operations in 2013 compared to 2012 and Jackson's financial condition at December 31, 2013 and 2012 is based on Jackson's Statutory Financial Statements which are included in this Offering Memorandum and which have been prepared on the basis of accounting practices prescribed or permitted by DIFS. Such accounting practices differ in certain significant respects from U.S. GAAP and IFRS. See "Summary of Principal Differences Between Statutory Accounting Principles and U.S. GAAP" and "Summary of Principal Differences Between Statutory Accounting Principles and IFRS."*

*On September 4, 2012, Jackson completed the purchase of SRLC from Swiss Re Life Capital Ltd. ("Swiss Re"). REALIC was a wholly owned subsidiary of SRLC and the primary business entity under SRLC. On December 31, 2012, REALIC was merged into Jackson. Upon merger, Statutory Accounting Principles require the financial statements to be presented as if the merger occurred January 1 of the prior year. Accordingly, while Jackson did not have management control nor interest in the REALIC results of operations prior to the acquisition on September 4, 2012, Jackson's Statutory Financial Statements included herein reflect the combination of Jackson and REALIC as if the companies were merged January 1, 2011. The acquisition, as well as the applicable acquisition accounting is described in Note 3 to Jackson's Statutory Financial Statements for December 31, 2013 and 2012.*

### Forward-Looking Statements

This Offering Memorandum, including the discussion that follows, contains forward-looking statements that are intended to enhance the reader's ability to assess Jackson's future financial performance. Jackson cautions readers regarding certain forward-looking statements contained in this Offering Memorandum and in any other statements made by, or on behalf of, Jackson. Forward-looking statements are statements not based on historical information and which relate to future operations, strategies, financial results, or other developments. Statements using verbs such as "expect," "anticipate," "believe" or words of similar import generally involve forward-looking statements. Without limiting the foregoing, forward-looking statements include statements which represent Jackson's beliefs concerning future levels of sales and redemptions of Jackson's products, investment spreads and yields, or the earnings and profitability of Jackson's activities.

Forward-looking statements are necessarily based on estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond Jackson's control and many of which are subject to change. These uncertainties and contingencies could cause actual results to differ materially from those expressed in any forward-looking statements made by, or on behalf of, Jackson. Whether or not actual results differ materially from forward-looking statements may depend on numerous foreseeable and unforeseeable developments. Some may be national in scope, such as general economic conditions, changes in tax law and changes in interest rates. Some may be related to the insurance industry generally, such as pricing competition, regulatory developments and industry consolidation. Others may relate to Jackson specifically, such as credit, volatility and other risks associated with Jackson's investment portfolio. Jackson disclaims any obligation to update forward-looking information.

### Use of Estimates

The financial statements and notes included in this Offering Memorandum reflect estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. The preparation of the accompanying financial statements and notes requires the use of estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Significant estimates and assumptions include: 1) valuation of investments and derivative instruments, including fair values of securities without readily ascertainable market values and the determination of when an impairment is other-than-temporary; 2) assumptions used in calculating policy reserves and liabilities, including mortality rates, expenses and investment returns; 3) assumptions as to future earnings levels being sufficient to realize deferred tax benefits and whether or not certain deferred tax assets will reverse within three years; 4) estimates related to liabilities for lawsuits and establishment of liability for state guaranty fund assessments; 5) assumptions and estimates associated with Jackson's tax positions which impact

the amount of recognized tax benefits recorded by Jackson; and 6) assumptions as to future earnings levels of acquired business being sufficient to recover the VOBA and goodwill. These estimates and assumptions are based on management's best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors deemed appropriate. As facts and circumstances dictate, these estimates and assumptions may be adjusted. Since future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in estimates, including those resulting from continuing changes in the economic environment, will be reflected in the financial statements for those periods in which the changes arise.

## **Asset-Liability Management**

Asset-liability management is an integral part of Jackson's risk management program. It is utilized by Jackson in an effort to minimize the risks of equity market movements and volatility, interest rate fluctuations and disintermediation. Jackson's equity market risks are generally related to its liability for variable annuity guarantees and equity participation in the fixed index annuities, while interest rate fluctuations primarily impact the interest earned on its fixed income investments, interest credited on life products and fixed and fixed index annuity products, and the costs and value of hedges related to variable annuity guarantees.

Guaranteed benefits issued by Jackson in connection with the sales of variable annuity contracts expose Jackson to equity risk as the benefits generally become payable when equity markets decline and contract values fall below the guaranteed amount. Jackson hedges the economic tail risk associated with the equity exposure using equity options and futures and, therefore, has not explicitly hedged the accounting basis risk. The statutory reserve for the guaranteed benefits is included in the reserve for the total variable annuity contract calculated under Actuarial Guideline XLIII, which is not a fair value reserve, with changes in the reserve included in net income. The derivative contracts, by contrast, are carried at fair value, with changes in fair value excluded from net income until realized, but reported directly in capital and surplus. As a result of these factors, the income statement and capital and surplus may include a timing mismatch related to changes in value of the hedges and the hedged liabilities.

Certain products and benefits also expose Jackson to interest rate risk. Jackson manages this risk in aggregate, contemplating natural offsets between products before pursuing hedging transactions. As deemed necessary, Jackson manages this interest rate exposure through a combination of interest rate swaps and interest rate swaptions. For statutory reporting purposes, interest rate swaps are carried at book value in accordance with Jackson's permitted practice, while swaptions are carried at fair value.

Jackson is exposed primarily to the following five risks arising from fluctuations in interest rates: (1) the risk of loss related to policyholder withdrawals following a sharp and sustained increase in interest rates, (2) the risk of mismatch between the expected duration of certain annuity liabilities and certain investments held by Jackson, (3) the reinvestment risk associated with accelerated prepayments on MBSs in decreasing interest rate environments and delayed prepayments in increasing interest rate environments, (4) the risk of mismatch between the duration of certain Institutional Products, liabilities and certain fixed or variable investments held by Jackson, and (5) the risk of mismatch in interest rate related components of liabilities and capital requirements related to variable annuity guarantees and the associated hedges. Jackson considers these risks individually and as a whole when making decisions related to managing them. Other factors that are not directly related to interest rates can also give rise to disintermediation risk, including, but not limited to, changes in ratings, overall policyholder concerns relating to the life insurance industry generally and competition from other products, such as non-insurance products such as mutual funds, certificates of deposit and other financial products.

Jackson believes that its fixed-rate liabilities should be backed by a portfolio principally composed of fixed income securities that generate predictable rates of return on its invested assets. Jackson does not have a specific target rate of return on its invested assets. Instead, its rates of return vary over time depending on the current interest rate environment, the slope of the yield curve, the spread at which fixed maturities are priced over the yield curve and general competitive conditions within the industry. Its portfolio strategy is designed to achieve adequate risk-adjusted returns consistent with its investment objectives of effective asset-liability management, liquidity and safety. Asset-liability management and portfolio management strategies are developed by Jackson, and portfolio



strategy implementation and credit risk decisions are made by PPM America, an affiliate of Jackson, within guidelines set by Jackson. See “—Evaluation of Invested Assets”.

Jackson segregates its portfolios for certain investment management purposes and as part of its overall investment strategy into three parts relating to Jackson’s fixed annuity, FIAs and Institutional Product liabilities. The investments backing fixed annuities and FIAs have similar characteristics and differ primarily in duration and convexity. The portfolio backing Institutional Product liabilities has its own mix of investments which meet more limited duration and convexity tolerances. Consequently, this portion of the portfolio is managed to permit less interest rate sensitivity and has limited exposure to MBSs.

To determine whether obligations will be met when they become due, Jackson uses asset-liability cash flow management techniques that consider current and future investment returns, asset and liability durations, risk tolerance, and cash flow requirements. Based on the results of this analysis, Jackson has established its investment policy to maintain a desired spread between the yield on portfolio assets and the rate paid on its policyholder funds under a variety of possible future interest rate scenarios. If subsequent experience proves to be different from earlier assumptions, maturing liabilities and maturing investment assets may no longer be matched to the degree originally anticipated, placing unanticipated demands on cash flow and liquidity. Jackson closely monitors its general account to assess Jackson’s asset-liability position and to change investment strategies and rebalance investment portfolio durations as it deems necessary. Jackson is required by law to analyze the adequacy of reserves annually. The analysis includes dynamic cash flow testing of assets and liabilities by product under a variety of interest rate scenarios.

As a component of its asset-liability management program, Jackson uses interest rate swap agreements (“**Swap Agreements**”) to match assets more closely to liabilities. Swap Agreements are agreements to exchange with a counterparty interest rate payments of differing character (for example, variable-rate payments exchanged for fixed-rate payments) based on an underlying principal balance (notional principal), to hedge against changes in interest rates.

Jackson also uses put swaption contracts (“**Put-Swaptions**”) to hedge against changes in market interest rates and to assist in the management of the overall asset-liability position of Jackson. Certain Put-Swaptions are expected to mitigate the effects of declines in the market value of the asset portfolio that would be expected to occur in substantially increasing interest rate environments, as well as the effects on cash flows and spreads of increased surrenders and decreased prepayments on MBSs that would be anticipated in such an environment. Other Put-Swaptions are expected to mitigate the portfolio impact of a persistent low-rate environment. Jackson intends to continue to employ Put-Swaptions and/or other types of derivative instruments to hedge against changes in interest rates.

A variety of other derivative transactions are employed in conjunction with the issuance of funding agreements (i) to Jackson National Life Funding, LLC, a Cayman Islands special purpose corporation which issues medium-term notes (“**MTNs**”) outside of the United States (the “**EMTN Program**”) and (ii) to the Trust pursuant to the Program (the Program together with the EMTN Program, the “**MTN Programs**”). Through the MTN Programs, Jackson issues highly structured funding agreements, with different maturities, in different currencies and on different interest bases, to address the purchasers’ specific investment requirements. Concurrent with the issuance of a funding agreement, Jackson may enter into one or more derivative contracts which offset the structural characteristics and effectively result in Jackson incurring a LIBOR rate-based U.S. dollar-denominated liability. Since April 1999, Jackson has issued \$14.0 billion of funding agreements through its MTN programs, of which \$1.3 billion was outstanding as of August 25, 2014.

Risks embedded in these derivatives can include, but are not limited to, currency risk, foreign or domestic equity risk, interest rate risk, credit risk and spread risk. Jackson requires that all MTN liabilities be converted to U.S. dollar-based liabilities. Therefore most of these liabilities will have related derivative transactions.

The inability of a counterparty to perform on its obligations could expose Jackson to material counterparty risk. As such, Jackson manages its counterparty risk on MTN related trades with respect to both the creditworthiness of acceptable counterparties for any given trade and to the level of collateral posted against these transactions.

The investments underlying Jackson's FIA products can be divided into two main categories—fixed income and equity options and futures. The fixed income investments are chosen to generate adequate returns, on an option-adjusted basis, to provide for the minimum guarantee offered in the FIA product line. Equity options and futures are used in conjunction with the hedging of Jackson's FIAs.

The equity participation is achieved through a strategy which principally relies on OTC European call options and equity index futures. Jackson may also use exchange traded put options and/or futures on various indices to hedge against the risk that market movements could cause losses to Jackson in excess of internal limits.

There are risks associated with some of the techniques Jackson uses to provide liquidity, enhance its spread income and match its assets and liabilities. The primary risk associated with Jackson's repurchase agreements and derivative transactions is counterparty risk. Jackson believes, however, that the counterparty risk associated with these transactions is mitigated because the counterparties are highly rated. Jackson further mitigates counterparty risk by requiring collateralization at risk related exposure thresholds and by limiting its uncollateralized exposure to any particular counterparty. Collateral requirements and levels are managed on a daily basis. Besides counterparty risk, these trades are also subject to interest rate risk. However, Jackson's positions typically hedge variable or fixed rate assets or liabilities, and interest rate fluctuations that adversely affect the net cash received or paid under the terms of a trade generally would be offset by changes in interest income earned on the variable rate assets or interest expense paid on the variable or fixed rate liabilities.

The Institutional Products issued by Jackson generally guarantee the payment of principal and interest at either fixed or floating rates for a term of 1 to 10 years. In the case of GICs, sold to pension plans, certain withdrawals may be made at book value in the event of circumstances specified in the plan document, such as employee retirement, death, disability, hardship withdrawal or employee termination. Funding agreements purchased for their long-term portfolios by banks, asset management firms, and MTN investors either prohibit withdrawals or permit scheduled book value withdrawals subject to the terms of the underlying indenture or agreement. Funding agreements purchased by asset management firms for their short-term portfolios either prohibit withdrawals or permit withdrawals with notice ranging from 90 days to one year. Jackson analyzes cash flow information and prices contracts accordingly so that it is adequately compensated for possible withdrawals prior to maturity. Potential cash demands under a worst-case scenario are evaluated monthly by management.

Variable annuity contracts written by Jackson may provide for GMDB, GMIB, GMWB or GMAB. The GMDB stipulates that the contract holder's beneficiary will receive a return of premium plus some minimum return and/or the highest prior anniversary value, irrespective of the actual value of the investments under the contract at the time of death. The GMIB provides for a minimum floor level of benefits upon annuitization, regardless of the actual value of the investments under the contract at the time of annuitization. A waiting period of 10 years from issue is required before the guarantee is effective. The non-for-life GMWB allows the owner to make periodic partial withdrawals of no more than a specified percentage of a benefit base, each year, until the benefit base is exhausted, regardless of the value of the investments underlying the contract. The basis of the benefit is the initial premium, and may be increased upon benefit step-up as applicable. The for-life GMWB allows the owner to make periodic partial withdrawals of no more than a specified percentage of a benefit base, each year, for the owner's lifetime, regardless of the value of the investments underlying the contract. The basis of the benefit is the initial premium, plus some minimum return (simple interest, per year) if utilization is deferred, and may be increased upon election of a benefit step-up as applicable. Given the limited withdrawals each year, the guarantee is effectively spread over a number of years (*i.e.*, for life, or at least 10-20 years in the case of non-for-life benefits). The GMAB provides a guaranteed return of principal invested over a specified period. Jackson charges a fee for these benefits. The key risk for Jackson is that the value of contract investments will be less than the value guaranteed under the GMDB, GMIB, GMWB or GMAB. Statutory reserves are required to be established for these benefits. Sales of GMIB and GMAB were discontinued in 2009 and 2011, respectively.

Jackson's equity risk associated with guarantees is principally hedged using OTC S&P 500 equity options and S&P 500 equity index futures. In addition, Jackson considers certain inherent overlaps in portfolio risk among its equity related products in determining the level of external hedging necessary. Jackson also has a reinsurance agreement with a highly-rated unaffiliated reinsurer to cover GMIB benefits, so regardless of the emerging experience or reserving methodology used, the net retained risk related to GMIB is minimal.

Besides the equity risk associated with variable annuity guarantees, the statutory reserving methodology may introduce volatility to Jackson's reported statutory earnings. Statutory reserves for variable annuity guarantees are calculated in accordance with Actuarial Guideline XLIII. The Guideline requires reserves for these contracts to be based on the greater of the Standard Scenario Amount and the Conditional Tail Expectation Amount ("**CTE Amount**"). The Standard Scenario Amount is the minimum floor determined using a single deterministic drop and recover scenario and using prescribed assumptions. The CTE Amount is calculated using a projection of the assets and estimated liabilities supporting these contracts over a broad range of stochastically generated projection scenarios and using prudent estimate assumptions. Under this methodology, an increase in reserves would result should the actual value of the investments fall relative to the value of the guarantee(s). Alternatively, reserves would be reduced when the value of the investments rise relative to the value of the guarantee(s). Management believes that this volatility in statutory earnings resulting from movement in equity markets does not reflect an underlying financial or operational weakness and does not affect Jackson's ability to pay any obligations associated with the variable annuity portfolio. There is a risk that the volatility in statutory earnings could be misinterpreted by analysts not familiar with the reserving practices.

### **Evaluation of Invested Assets**

Jackson performs regular evaluations of its invested assets. Management identifies monthly those investments that require additional monitoring and carefully reviews the carrying value of such investments to determine whether specific investments should be placed on a non-accrual status and to determine if any declines in value may be other than temporary. In making these reviews, management principally considers the adequacy of any collateral, compliance with contractual covenants, the borrower's recent financial performance, news reports and other externally generated information concerning the issuer's affairs. In the case of publicly traded bonds, management also considers market value quotations, if available. For mortgage loans, management generally considers information concerning the mortgaged property and, among other things, factors impacting the current and expected payment status of the loan and, if available, the current fair value of the underlying collateral. For investments in partnerships, management reviews the financial statements and other information provided by the general partners.

The carrying values of investments that are determined to have declines in value that are other than temporary are reduced to net realizable value and, in determining whether an other than temporary impairment has occurred, Jackson considers a security's forecasted cash flows as well as the severity and duration of depressed fair values. Investment income is not accrued on securities in default and otherwise where the collection is uncertain. Subsequent receipts of interest on such securities are generally used to reduce the cost basis of the securities. The provisions for impairment on mortgage loans are based on losses expected by management to be realized on transfers of mortgage loans to real estate, on the disposition and settlement of mortgage loans and on mortgage loans that management believes may not be collectible in full. Accrual of interest on mortgage loans is suspended when principal or interest payments on mortgage loans are past due more than 90 days. Interest is then accounted for on a cash basis.

### **Federal Home Loan Bank Advances**

Jackson is a member of the FHLBI primarily for the purpose of participating in its mortgage-collateralized loan advance program with both short-term and long-term funding facilities. Membership requires Jackson to purchase and hold a minimum amount of FHLBI capital stock plus additional stock based on outstanding advances. Advances are in the form of either short-term or long-term notes or funding agreements issued to FHLBI. In 2010, Jackson received a mortgage loan from FHLBI, under its community investment program. At both December 31, 2013 and 2012, Jackson held \$115.0 million of FHLBI capital stock, supporting \$1.8 billion of funding agreements at each period end, reported in the liability for deposit-type contracts. Jackson also held \$200.0 million of short-term borrowings, at December 31, 2013, and a mortgage loan with an outstanding balance of \$5.0 million and \$10.0 million at December 31, 2013 and 2012, respectively.

### **Acquisition of REALIC**

On September 4, 2012, Jackson completed the purchase of SRLC from Swiss Re. REALIC was a wholly owned subsidiary of SRLC and the primary operating company under SRLC. SRLC was subsequently dissolved on

September 6, 2012, with REALIC becoming a direct subsidiary of Jackson. On December 31, 2012, REALIC was merged into Jackson.

As part of the agreement between Jackson and Swiss Re for the purchase of SRLC, certain business was excluded from the acquired company through 100% coinsurance transactions with Swiss Re and its affiliates executed prior to the sale.

The preliminary purchase price of SRLC was \$663 million, which was subject to post-closing adjustments. Subsequent adjustments through December 31, 2012, reduced the preliminary purchase price from \$663 million to \$587 million, which was subject to final agreement with Swiss Re. In 2013, after finalizing the opening balance sheet and the resolution of purchase price discussions with Swiss Re, the final purchase price was settled at \$605 million. The final purchase price adjustments and capitalization of additional acquisition expenses increased the \$475 million of VOBA calculated at purchase date to \$491 million.

The acquisition was accounted for as a statutory purchase in accordance with SSAP No. 68, and included \$491 million of goodwill attributed to the VOBA. The goodwill value is fully recoverable by the present value of the future cash flows of the business acquired, and under Michigan law the entire VOBA is recognized as an admitted asset. While the value of the business acquired meets the NAIC SAP definition of goodwill, the amount is in excess of the amount that would be recognized under NAIC SAP.

The total cost of the acquisition, including the VOBA was initially reported as an investment in Common Stock. Upon the subsequent merger of REALIC into Jackson on December 31, 2012, the VOBA is now reported separately on the Statutory Statements of Admitted Assets, Liabilities, Capital and Surplus.

As described above, during 2013 Jackson completed its final review of the acquired assets and liabilities assumed. As a result of adjustments made during this final review, the final net assets acquired totaled \$128 million.

## Recent Developments – Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

*Premium and Annuity Considerations* totaled \$12,989.7 million for the six months ended June 30, 2014, as compared with \$11,513.3 million for the same period in 2013. The increase is primarily attributable to the continued growth in Jackson's variable annuity product line, including Elite Access premiums of \$2,492.2 million for the six months ended June 30, 2014, compared to \$1,960.5 million for the same period in 2013. Fixed index annuity premiums received during the first six months of 2014 totaled \$303.5 million, compared to \$957.1 million received for the same period in 2013. This decrease was primarily a result of product changes implemented in late 2013. Sales of fixed annuities during the year totaled \$429.7 million, compared to \$447.0 million in the same period a year ago. Jackson sold \$1,047.0 million of institutional products during the first six months of 2014, compared to \$597.1 million for the same period in 2013, as a result of a return to the MTN market.

*Net Income* totaled \$646.5 million for the six months ended June 30, 2014, compared to \$100.8 million for the six months ended June 30, 2013. Higher net income was due, in part, to lower net realized capital losses of \$532.4 million in the first six months of 2014 versus \$913.6 million for the same period in 2013, primarily due to losses on equity derivatives. These losses on equity derivatives were due to the impact of increasing equity markets on the related hedging instruments, which was more significant in 2013 than 2014. For the first six months of 2014, voluntary reserves decreased \$200.0 million compared to no charge during the same period in 2013, which benefited results in the first six months of 2014.

*Capital and Surplus* was \$4.24 billion at June 30, 2014, compared to \$4.35 billion at December 31, 2013. The decrease in capital and surplus was comprised of dividend payment (\$600.0 million), an increase in non-admitted assets (\$88.9 million), an increase in AVR (\$40.9 million), net unrealized capital losses (\$19.5 million), and a decrease in deferred taxes (\$14.2 million), partially offset by net income (\$646.5 million).

In the first quarter of 2014, Jackson commenced a review of its wholly owned Curian subsidiaries (Curian Capital, LLC and Curian Clearing, LLC). During its review, Jackson discovered that Curian's receipt of certain fees may have been inconsistent with applicable regulations. Jackson promptly reported these issues to regulatory authorities and retained outside legal counsel to conduct an investigation. Jackson's Curian subsidiaries have recorded aggregate provisions for currently estimable exposures of \$55.0 million as of June 30, 2014, related to these issues.

*Total Admitted Assets* increased to \$176.6 billion at June 30, 2014 from \$163.8 billion at December 31, 2013. This increase is attributable primarily to a \$12.4 billion increase in separate account assets supporting variable annuity liabilities, resulting from the increase in the equity markets and positive net flows during the year.

As described in "Business of Jackson", the Company received approval from the Michigan Department of Insurance and Financial Services regarding the use of a permitted practice which allows the Company to report the effectiveness of its hedging program related to certain interest rate swaps consistent with the system the Company has adopted in accordance with Section 943 (2) of the Michigan Insurance Code, as opposed to NAIC SSAP No. 86. As a result, hedging transactions thus identified as effective are reported pursuant to the accounting guidance set forth in NAIC SSAP No. 86. The effect of this permitted practice, reflected as special surplus funds, was to decrease capital and surplus by \$338.1 million (\$219.7 million after tax) at June 30, 2014 and increase capital and surplus by \$1.9 million (\$1.2 million after tax) at December 31, 2013, with no effect on net income.

The effect of the permitted practice on Risk-Based Capital was to increase the Authorized Control Level Risk-Based Capital by \$622.8 thousand and \$52.1 thousand at June 30, 2014 and December 31, 2013, respectively.

Jackson's investment portfolio is broadly diversified with nearly 1,600 issuers. Below investment grade bonds totaled 3.2% and 3.1% of cash and invested assets at June 30, 2014 and December 31, 2013, respectively. Jackson had gross unrealized gains of \$4,258.7 million and gross unrealized losses of \$142.3 million on its debt securities at June 30, 2014. Of the total carrying value of bonds in an unrealized loss position at June 30, 2014, 92.6% were investment grade. Unrealized losses on bonds that were below investment grade comprised 28.6% of the aggregate gross unrealized loss on debt securities. For Statutory reporting, Jackson's debt securities are generally reported at amortized cost, meaning the unrealized gains and losses are not reflected in income or capital

and surplus. At both June 30, 2014 and December 31, 2013, Jackson held \$4.2 billion, respectively, of U.S. Treasuries.

### **Results of Operations – Year Ended December 31, 2013 Compared to Year Ended December 31, 2012**

Pretax operating income totaled \$2,909.1 million for the year ended December 31, 2013, as compared to \$2,752.8 million for the year ended December 31, 2012. The increase in pretax operating income was primarily due to an increase in fee income (\$503.9 million) and a decrease in general expenses (\$63.6 million), offset by an increase in amortization of goodwill and value of business acquired (\$63.5 million) compared to 2012.

Net income totaled \$741.3 million for the year ended December 31, 2013, as compared to \$847.2 million for the year ended December 31, 2012, as higher capital losses more than offset higher pretax operating income and lower income taxes.

### **Sales and Revenue**

Premiums and annuity considerations totaled \$22.74 billion for the year ended December 31, 2013 as compared to \$18.36 billion in 2012. Variable annuity premiums of \$19.60 billion in 2013 increased 5% compared to \$18.65 billion in 2012, primarily due to an increase in Jackson's Elite Access product, a variable annuity without guarantees launched in March of 2012, which increased from \$1.35 billion in 2012 to \$4.04 billion in 2013.

Net investment income, which is gross income earned on invested assets reduced by investment expenses, decreased to \$3.66 billion in 2013 from \$3.69 billion in 2012. Gross investment income earned on invested assets totaled \$3.79 billion in 2013 compared to \$3.81 billion in 2012. The yield earned on average invested assets, adjusted for various leverage transactions, increased to 6.38% on average adjusted invested assets of \$57.36 billion in 2013, compared to 6.29% on average adjusted invested assets of \$58.66 billion in 2012. The average yield is enhanced by certain leverage transactions (spread earned on borrowings at low rates through repurchase agreements and short-term loans) and income on interest rate swaps, which have no cost basis. The increase of 9 bps in yield was primarily due to increased dividends received from subsidiaries.

Fee income from separate accounts increased to \$2.18 billion in 2013 from \$1.67 billion in 2012, due to a \$23.74 billion higher average separate account balance in 2013 as a result of higher variable annuity sales and equity market appreciation in 2013.

Other income decreased to \$240.0 million in 2013 from \$478.6 million in 2012. Other income in 2013 was comprised primarily of marketing fees, which increased due to higher variable annuity sales and general account policy fees. In 2012, other income included \$317.7 million of interest maintenance reserve released due to the aforementioned retrocession agreements with Swiss Re.

Annuity benefits and annuity and life surrenders, which include systematic withdrawals and death benefits on annuities, as well as annuity surrender benefits and partial withdrawals, increased to \$9.99 billion in 2013 from \$8.83 billion in 2012, primarily due to an increase in variable annuity surrenders on a much larger base of in-force contracts. As a percentage of average variable annuity reserves, variable annuity withdrawal rates decreased from 5.42% in 2012 to 5.32% in 2013. Fixed annuity surrender rates also declined as withdrawals were 7.30% and 8.41% of average fixed annuity reserves in 2013 and 2012, respectively. Jackson regularly monitors liquidity and believes that the investment portfolio and other sources of funds provide sufficient liquidity for anticipated withdrawals. As a percentage of mean life reserves, life withdrawal rates decreased from 2.69% in 2012 to 2.61% in 2013.

Aggregate reserves for life and annuities decreased \$390.6 million in 2013 compared to a decrease of \$3.47 billion in 2012. The significant difference in change in reserves in 2013 compared to 2012 was due primarily to the aforementioned retrocession agreements with Swiss Re executed during 2012 which saw REALIC ceding \$3.54 billion of reserves to Swiss Re on July 1, 2012. The average interest rate credited on interest sensitive liabilities (excluding institutional product and fixed-index annuity liabilities) was 3.35% in 2013, as compared to 3.48% in 2012, primarily due to lower crediting rates being established upon in-force policy anniversary dates, as well as lower crediting rates on annuity new business in 2013.

At December 31, 2013 and 2012, Jackson recorded \$300.0 million and \$600.0 million, respectively, of additional voluntary variable annuity guaranteed benefit reserves in excess of those required under minimum statutory standards as defined in Actuarial Guideline XLIII.

Interest credited on institutional investment products totaled \$68.2 million in 2013, as compared to \$94.6 million in 2012, due primarily to a declining balance of institutional investment product liabilities and lower interest credited rates on floating rate contracts. The average interest rate credited on institutional deposits was 1.68% in 2013, compared to 2.34% in 2012.

Commissions totaled \$1.65 billion in 2013, compared to \$1.78 billion in 2012. Average commission rates on direct business were 7.15% and 6.96% of total premiums in 2013 and 2012, respectively.

General insurance expenses decreased to \$560.0 million in 2013 from \$623.6 million in 2012. The decrease in expenses was due primarily to elimination of redundant expenses upon merger of REALIC on December 31, 2012.

Net transfers to separate accounts increased to \$12.52 billion in 2013 from \$12.44 billion in 2012. The increase was primarily due to the increase in sales of variable annuities in 2013 and more variable annuity sales being allocated to the separate accounts, a combination of which were partially offset by the impact of higher surrenders.

Federal income tax expense on operations totaled \$562.3 million in 2013, compared to \$703.6 million in 2012, resulting in effective tax rates of 19.3% and 25.6% in 2013 and 2012, respectively. The 2013 lower effective tax rate is primarily attributable to increased dividend received deductions.

## Realized Gains and Losses

Realized gains and losses were as follows (in millions):

	2013	2012
Net realized gains (losses)		
Sales of bonds	\$ 157.6	\$ 512.1
Sales of stocks	30.3	3.8
Derivative instruments	(2,285.5)	(1,517.5)
Mortgage loans on real estate	0.9	2.9
Other assets	2.9	10.0
Impairment writedowns	(53.1)	(148.1)
Total	(2,146.8)	(1,136.8)
Less: Transferred to IMR	275.5	701.0
Transferred to AVR	(2,422.3)	(1,837.8)
Tax benefit	818.2	667.9
Modco & funds held reinsurance gains, net of tax	(1.4)	(32.1)
Per Income Statement	<u>\$ (1,605.5)</u>	<u>\$ (1,202.0)</u>

Jackson's hedging program is structured to manage the economic impact of movements in interest rates and equity levels, rather than the accounting results. Accordingly, the program remains effective on an economic basis, which will differ from the accounting perspective in a single reporting period. From an economic point of view, current losses on derivative instruments, which are primarily due to an increase in the equity market, are offset by the benefit of higher future fees and lower future benefits on increased separate account balances. However, given the nature of the regulatory accounting requirements, these future impacts are not fully reflected in the current year accounting results.

Impairment writedowns as a percentage of Jackson's average invested assets totaled 0.1% and 0.2% in 2013 and 2012, respectively. The impairments due to limited partnerships and limited liability companies ("LPs"), which are carried at fair value, totaled \$36.8 million and \$45.6 million in 2013 and 2012, respectively, and had no impact on surplus as these realized impairment losses were offset by the release of an unrealized loss.

Net realized capital gains and losses transferred to the interest maintenance reserve (“IMR”) are amortized into income over the estimated remaining lives of the investments sold. Gains of \$275.5 million and \$701.0 million were transferred to the IMR in 2013 and 2012, respectively. At December 31, 2013 and 2012, the IMR balance was \$403.2 million and \$409.7 million, respectively.

## **Financial Condition and Liquidity**

Capital and surplus increased to \$4.35 billion at December 31, 2013, from \$4.30 billion at December 31, 2012. The increase of \$57.7 million is comprised primarily of net income (\$741.3 million), an increase in special surplus (\$581.8 million), and a decrease in non-admitted assets (\$108.8 million), partially offset by the negative effects of a decrease in net unrealized capital gains (\$668.7 million), dividends to Prudential UK (\$507.0 million), a decrease in net deferred tax asset (\$170.6 million) and an increase in asset valuation reserve (\$35.1 million).

Admitted assets totaled \$163.83 billion at December 31, 2013, as compared to \$136.82 billion at December 31, 2012. This increase is attributable to a \$26.94 billion increase in separate account assets supporting variable annuity liabilities and a \$76.4 million increase in general account assets supporting the fixed annuity and life insurance liabilities. The increase in separate account assets was primarily due to variable annuity net sales of \$19.60 billion in 2013 and the effect of market appreciation.

Jackson received approval from DIFS regarding renewal of the use of a permitted practice. The permitted practice will expire on October 1, 2014, unless extended by the commissioner of insurance for an additional year. The permitted practice allows Jackson to carry interest rate swaps at book value, as if statutory hedge accounting were in place, instead of at fair value as would have been otherwise required. As a condition of granting the permitted practice, Jackson must demonstrate the effectiveness of its interest rate swap program pursuant to the Michigan Insurance Code. The effect of the permitted practice, reflected as special surplus, was to increase statutory surplus by \$1.9 million (\$1.2 million after tax) at December 31, 2013 and decrease statutory surplus by \$893.1 million (\$580.5 million after tax) at December 31, 2012, with no effect on net income. Jackson’s adjusted capital and surplus was well in excess of regulatory requirements both with and without the permitted practice.

General account cash and invested assets totaled \$59.12 billion at December 31, 2013, as compared to \$58.63 billion at December 31, 2012.

Jackson’s investment portfolio is broadly diversified with more than 1,600 issuers. Below investment grade bonds totaled 3.1% of cash and invested assets at December 31, 2013, as compared to 3.9% at December 31, 2012. Jackson’s direct exposure to the subprime mortgage market is \$419.0 million at December 31, 2013. Most of this exposure is in fixed rate, residential mortgage-backed securities that hold first liens on the underlying collateral. Jackson had gross unrealized gains of \$3,126.7 million and gross unrealized losses of \$558.6 million on its debt securities at December 31, 2013. Of the total carrying value of bonds in an unrealized loss position at December 31, 2013, 94% were investment grade. Unrealized losses from bonds that were below investment grade comprised 12% of the aggregate gross unrealized loss on debt securities. For Statutory reporting, Jackson’s debt securities are primarily reported at amortized cost, thus the unrealized gains and losses are generally not reflected in income or capital and surplus. At December 31, 2013, Jackson held \$4.34 billion of government securities, down from \$4.53 billion at December 31, 2012.

Mortgage loans with balances totaling \$6.07 billion at December 31, 2013, consisted of 570 commercial first mortgage loans with an average loan balance of approximately \$10.6 million, collateralized by properties located in 42 states and the District of Columbia. Approximately 31% of this portfolio was multi-family residential, 28% was distribution/warehouse, 19% was retail, 13% was office and 9% was hotel. At December 31, 2013, approximately 12% of this portfolio was secured by properties located in California, 10% by properties located in Texas, 9% by properties located in Florida, 6% by properties located in Georgia and no more than 6% of this portfolio was secured by properties in any other single state. At the time of their origination or purchase by Jackson, the majority of mortgage loans had loan-to-value ratios of 80% or less. At year-end 2013 and 2012, loans delinquent by more than 90 days, foreclosed loans and restructured loans were not significant in relation to the total mortgage loan portfolio. During 2013 and 2012, Jackson sold mortgages and other loans with a fair value of approximately \$6.2 million and \$5.5 million, respectively, to Hermitage Management LLC (“Hermitage”), a wholly owned subsidiary. During 2013, Jackson repurchased \$97.0 million of mortgage loans at fair value from Hermitage.



Other invested assets, which totaled \$1.52 billion at December 31, 2013, are comprised of investment vehicles that primarily have holdings in equity securities and other investments in the amounts of \$1.40 billion and \$50.7 million, respectively, and \$70.7 million of affiliated notes. Included in other assets are equity investments in subsidiaries and affiliated notes of \$178.1 million. Other invested assets, which include limited partnership and limited liability company interests, are generally accounted for using the equity method of accounting.

Investments in common and preferred stocks are minimal, representing less than 2% of cash and invested assets at December 31, 2013. Jackson's investments in common stocks consist of investments in mutual funds hedging its deferred compensation plan liabilities and investments in subsidiaries.

Derivatives used in connection with Jackson's risk management program at December 31, 2013 were primarily comprised of \$48.10 billion notional amount of options, \$25.20 billion aggregate notional amount of swaps, \$8.00 billion in aggregate notional amount of put swaptions and \$6.08 billion in aggregate notional amount of futures. Interest rate swaps with a book/adjusted carrying value of \$0 and fair value of \$(1.9) million were reported at book/adjusted carrying value per the aforementioned permitted practice. Overall, the net fair value of Jackson's general account derivatives at December 31, 2013 was \$221.8 million, as compared to \$1,464.2 million at December 31, 2012. Included in surplus at December 31, 2013 and 2012 are unrealized losses on derivatives of \$283.2 million and gains of \$111.7 million, respectively. These unrealized gains/losses exclude unrealized gains/losses on interest rate swaps due to the permitted practice.

Jackson is a member of the FHLBI, primarily for the purpose of participating in its mortgage-collateralized loan advance program with short-term and long-term funding facilities. Advances are in the form of short-term or long-term notes or funding agreements issued to the FHLBI and are collateralized by commercial mortgage-backed-securities ("CMBS") and other structured securities.

Jackson maintains short-term funding facilities with the FHLBI. Interest rates on advances were either fixed or variable and based on the FHLBI cost of funds or market rates. At December 31, 2013, Jackson had \$200.0 million of short-term notes outstanding (none at December 31, 2012). There was \$77 thousand and \$260 thousand of interest paid on such borrowings in 2013 and 2012, respectively.

Additional sources of liquidity include premium deposits, investment income and cash provided from maturing or sold investments. With 77% of Jackson's cash and invested assets being comprised of bonds and cash and short-term investments, Jackson's investment portfolio is highly liquid. Considering the composition of Jackson's investment and liability portfolio coupled with significant new annual sales and credit availability through funding agreements issued to, and short-term borrowings from, the FHLBI, Jackson is well positioned to meet its current and future cash needs.

Jackson carefully monitors cash and short-term investments to maintain adequate balances for timely payment of claims, policy benefits, expenses and taxes. In addition, regulatory authorities establish minimum liquidity and capital standards.

## CAPITALIZATION OF JACKSON

The following table sets forth the capitalization of Jackson at June 30, 2014 under statutory accounting practices.

An insurer's Asset Valuation Reserve ("AVR") is intended to stabilize surplus from fluctuations in the statutory value of the insurer's investment portfolio. The AVR is included in Total Capital, Surplus and AVR in the following table, even though such reserves are shown as a liability on Jackson's statutory balance sheets. This treatment is consistent with the general view of the insurance industry. Such reserves are also included as part of total adjusted capital for RBC purposes.

	<b>June 30, 2014</b> <b>(in millions)</b>
AVR .....	\$ 476.3
Capital and Surplus:	
Capital stock (12 million issued/outstanding common shares at \$1.15 par value) (1) .....	13.8
Surplus:	
Surplus notes .....	249.4
Gross paid in and contributed surplus .....	3,233.8
Special Surplus Funds (2) .....	(219.7)
Unassigned surplus.....	959.6
Total surplus.....	<u>4,223.1</u>
Total capital and surplus .....	<u>4,236.9</u>
Total Capital, Surplus and AVR (3) .....	<u><u>\$ 4,713.2</u></u>

(1) Jackson's authorized capital stock consists of 50,000,000 common shares with a par value of \$1.15 each.

(2) Special Surplus Funds consists of the surplus impact of the Jackson's permitted practice.

(3) Jackson has confirmed that since June 30, 2014, there has been no significant change in the financial or trading position of Jackson.

## DESCRIPTION OF THE NOTES

The following description of the terms and conditions of the Notes sets forth certain general provisions. It does not purport to be complete and is subject to the relevant Final Terms and the detailed provisions of the Notes and the Indenture, copies of which will be on file with the Indenture Trustee and the Irish Paying Agent (for the Notes admitted to trading on the regulated market of the Irish Stock Exchange) and the Principal Paying Agent (for Notes not admitted to trading on the regulated market of the Irish Stock Exchange). Capitalized terms used herein have the same meanings as those used in the Indenture unless the context otherwise requires. The Final Terms for a series of Notes will specify terms for such series of Notes.

### General

*Series Indenture.* Each series of Notes will be issued under, subject to and entitled to the benefits of the Indenture and a separate Series Indenture by and between the Trust, with respect to the relevant Series Trust, and the Indenture Trustee.

*Calculation Agent.* For the purposes of making determination or calculations of interest rates, interest amounts, redemption amounts or any other matters requiring determination or calculation in accordance with the Final Terms for any Series of Notes, the Trust may appoint a calculation agent (the “**Calculation Agent**”) for such purposes, in accordance with the provisions of the Indenture, and such Calculation Agent shall be specified in the applicable Final Terms. The Calculation Agent, once appointed, cannot resign its appointment or have its appointment revoked by the relevant Series Trust, in respect of any Series of Notes, until a successor has been appointed by the relevant Series Trust as the Calculation Agent of the relevant Series Trust in relation to such Series of Notes and notice of such appointment has been given in accordance with the terms and conditions of the Notes.

*Tranches of Notes.* Each series of Notes may be comprised of one or more tranches issued on different issue dates provided that any subsequently issued tranche of Notes constitutes a “qualified reopening” of the original issuance of such series of Notes, as defined in Treasury Regulations Section 1.1275-2(K)(3). The Notes of each series will all be subject to identical terms, except that the issue date, the issue price and the amount of the first payment of interest may be different with respect to different tranches. The Notes of each tranche will all be subject to identical terms in all respects except that a tranche may comprise Notes of different denominations.

*Security.* The Notes issued under each Series Indenture will be secured by the Pledged Estate of the Series Trust for such series of Notes. The Notes will be solely obligations of the relevant Series Trust, and will not be guaranteed by any person, including but not limited to any Initial Purchaser or Jackson or any other Series Trust or any of their respective affiliates.

*Status of the Notes.* The Notes of a series constitute direct, unconditional, unsubordinated and secured non-recourse obligations of the relevant Series Trust and rank *pari passu* without any preference among themselves.

*Admission to trading.* Application has been made to the Irish Stock Exchange for the Notes issued under the Program to be admitted to trading. However, Notes may also be (i) admitted to trading on any other regulated market, (ii) admitted to trading on a securities exchange which is not a regulated market, or (iii) not admitted to trading on any regulated market or any other securities exchange. Any Notes admitted to trading on the Irish Stock Exchange or on any other regulated market will be admitted to trading in minimum denominations of €100,000 or greater (or the equivalent thereof in another currency at the time of issue).

*Terms Specified in Final Terms.* Final Terms will specify the particular terms of any issuance of the Notes not otherwise specified in this Offering Memorandum.

*Some Definitions.* The following terms are used frequently in this Offering Memorandum:

A “**Business Day**” means, subject to the provisions of the applicable Final Terms, any day, other than a Saturday or Sunday, (a) that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close (x) in The City of New York or London or (y) for Notes denominated in a

Specified Currency other than U.S. dollars, Australian dollars or euros, in the principal financial center of the country of the Specified Currency or (z) for Notes denominated in Australian dollars, in Sydney, and (b) for Notes denominated in euros, that is also a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer system (“**TARGET**”) is operating.

“**Euro LIBOR Notes**” means LIBOR Notes for which the index currency is euros.

An “**Interest Payment Date**” for any Note means a date on which, under the terms of that Note, regularly scheduled interest is payable.

“**ISDA Definitions**” means, subject to the provisions of the applicable Final Terms, the 2006 ISDA Definitions, as amended and updated as at the date of issue of the first Notes of the relevant series (as specified in the relevant Final Terms) as published by the International Swaps and Derivatives Association, Inc.

“**London Banking Day**” means any day on which dealings in deposits in the relevant index currency are transacted in the London interbank market.

The “**Record Date**” for any Interest Payment Date is the date that is the first day immediately prior to that Interest Payment Date on which the relevant clearing system is open for business.

“**Specified Denomination**” means €100,000 and integral multiples of €1,000 in excess thereof, unless as otherwise set forth in the Final Terms in instances where the Notes are not admitted to trading on the regulated market of the Irish Stock Exchange nor listed on any other regulated markets.

“**TARGET Settlement Day**” means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System is open.

“**Day Count Fraction**” means, in respect of the calculation of an amount for any period of time (“**Calculation Period**”), one of the following day count fractions, which will be specified in the Final Terms:

(i) “**Actual/365**” or “**Actual/Actual (Historical)**”: the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (a) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (b) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) “**Actual/365 (Fixed)**”: the actual number of days in the Calculation Period divided by 365;

(iii) “**Actual/360**”: the actual number of days in the Calculation Period divided by 360;

(iv) “**30/360**”: the number of days in the Calculation Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“**Y1**” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“**Y2**” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“**M1**” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

(v) “30E/360” or “Eurobond Basis”: the number of days in the Calculation Period or Compounding Period in respect of which payment is being made divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y2 - Y1)] + [30 \times (M2 - M1)] + (D2 - D1)}{360}$$

where:

“Y1” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y2” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M1” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M2” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D1” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

“D2” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30; and

(vi) “Actual/Actual (Bond)” if the Interest Payment Dates all fall at regular intervals between the Issue Date and the Maturity Date: the number of days in the Calculation Period divided by the product of (a) the number of days in the Interest Period in which the Calculation Period falls and (b) the number of Interest Periods in any period of one year.

## Forms of Notes

The Notes of a particular series will be offered on a continuing basis and will be issued either as global Notes or as definitive Notes, and either in fully registered form or, with respect to global Notes only and subject to certain U.S. tax requirements, in bearer form.

*Global Notes in Registered Form.* For Notes in global registered form, the relevant Series Trust will issue one or more global certificates representing the entire issue of such Notes. Except as set forth in this Offering Memorandum under “Description of the Notes—Global Notes,” or in the relevant Final Terms, an investor may not exchange global Notes or interests in global Notes for definitive Notes.

Each Rule 144A Global Note will be deposited with the Custodian as custodian for, and registered in the name of the 144A Nominee, as nominee of DTC. Subject to the provisions of the applicable Final Terms, each global Note certificate representing global Notes in registered form which are offered and sold outside the United States will be registered in the name of the Regulation S Nominee, as nominee for, and deposited with the Common Depositary, as common depositary for, and in respect of interests held through Euroclear and Clearstream. A further

description of each of DTC's, Euroclear's and Clearstream's procedures for global Notes is set forth in this Offering Memorandum under "Description of the Notes—Global Notes."

Each Regulation S Temporary Global Registered Note initially representing Registered Notes of a series offered and sold outside of the United States in reliance on Regulations S under the Securities Act will be registered in the name of the Regulation S Nominee, as nominee for, and deposited with the Common Depositary, as common depositary for, and in respect of interests held through, Euroclear and Clearstream (or such other clearing systems as may be specified in the relevant Final Terms) for the respective accounts of the purchasers of such Notes. Beneficial interests in a Regulation S Temporary Global Registered Note will be exchanged for beneficial interests in a Regulation S Permanent Global Registered Notes as described under "Description of the Notes—Global Notes."

*Registered Notes in Definitive Form.* If the Registered Notes are represented by Notes in definitive form, the Note will name the investor or the investor's nominee as the owner of the Note. The person named in the Note register will be considered the owner of the Note for all purposes under the Indenture. For example, if the Noteholders are asked to vote on a proposed amendment to the Notes, the person named in the Note register would be asked to cast any vote regarding that Note. If the Noteholder has chosen to have some other entity hold the Notes, that entity would be considered the owner of the Note for the record and will be entitled to cast the vote regarding such Note. Definitive Notes may not be exchanged for global Notes or interests in global Notes. See "Description of the Notes—Global Notes."

*Regulation S Global Notes in Bearer Form.* For Regulation S Notes in global bearer form, the relevant Series Trust will issue one or more global certificates representing the entire issue of such Notes, which will be deposited by its issue date as a Regulation S Temporary Global Bearer Note with the Common Depositary as common depositary for Euroclear and/or Clearstream, or such other depositary for such other relevant clearing system as specified in the applicable Final Terms and will become exchangeable for a Regulation S Permanent Global Bearer Note as described under "Description of the Notes—Global Notes." Except as set forth in this Offering Memorandum under "Description of the Notes—Global Notes," an investor may not exchange its interest in global Bearer Notes for definitive Registered Notes. A further description with respect to the issuance and transfer of and payment on global Bearer Notes is set forth in this Offering Memorandum under "Description of the Notes—Global Notes."

Registered Notes may not be exchanged for Bearer Notes.

*Denominations.* Each Series Trust will issue the Notes, subject to the provisions of the applicable Final Terms:

- for U.S. dollar-denominated Notes, in minimum denominations of \$2,000 and integral multiples of \$1,000 in excess thereof; or
- any Notes admitted to trading on the regulated market of the Irish Stock Exchange or listed on any other regulated market, or offered to the public in any Member States of the European Economic Area, in circumstances which require the publication of a prospectus under the Prospectus Directive will be issued in minimum denominations of €100,000 and integral multiples of €1,000 thereafter (or the equivalent thereof in another currency at the time of issue).

*Authorized Program Amount.* The authorized amount of the Notes which may in the aggregate be issued by the Series Trusts is U.S. \$12,000,000,000. For this purpose, any Notes denominated in another currency shall be translated into U.S. Dollars at the date of the relevant Terms Agreement using the spot rate of exchange for the purchase of such currency against payment of U.S. Dollars being quoted by the relevant Paying Agent on such date or such other rate as the relevant Series Trust and the relevant Paying Agent may agree. The Authorized Program Amount may be increased from time to time, subject to compliance with the relevant provisions of the Purchase Agreement.

## Payments

*Payments, Exchanges and Transfers.* Noteholders may present Registered Notes for payment of principal, premium, if any, and interest, if any, register the transfer of the Notes and exchange Registered Notes at the office of the Irish Paying Agent (as defined below) in Ireland and at the office of the Registrar, maintained by the relevant Series Trust for that purpose. Payments with respect to Bearer Notes will be made solely upon surrender of the relevant coupons (for interest payments with respect to Bearer Notes having coupons attached upon initial delivery) or presentation of the Notes (for interest payments with respect to Bearer Notes not having coupons attached upon initial delivery and for principal payments) at the specified office of any of the Paying Agents of the relevant Series Trust outside the United States and its possessions. Payments of interest due on Bearer Notes will not be made at the office of any Paying Agent in the United States or its possessions unless such payment is illegal or effectively precluded by exchange controls or other similar restrictions at all of the specified offices of Paying Agents outside the United States and its possessions, and such payment is otherwise permitted by applicable United States law.

Holders of global Notes may transfer and exchange Notes only in the manner and to the extent set forth under “Description of the Notes—Global Notes” in this Offering Memorandum. On the date of this Offering Memorandum, the agent for the payment, transfer and exchange of the Notes is the Principal Paying Agent (the “**Paying Agent**”). In the event that another Paying Agent is appointed with respect to a Series of Notes, notice will be made promptly in a leading daily newspaper having general circulation in Ireland (expected to be the *Irish Times*).

A Series Trust will not be required to:

- register the transfer of or exchange the Notes to be redeemed for a period of fifteen calendar days preceding the mailing of the relevant notice of redemption,
- exchange a Note in registered form for a Note in bearer form, or
- register the transfer of or exchange any Registered Note selected for redemption in whole or in part, except the unredeemed or unpaid portion of that Registered Note being redeemed in part.

No service charge will be made for any registration of transfer or exchange of the Notes, but the Series Trust may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection with the registration of transfer or exchange of the Notes.

*Irish Paying Agent.* For so long as the Notes issued by any Series Trust are admitted to trading on the regulated market of the Irish Stock Exchange, and to the extent required by the guidelines of such exchange, the relevant Series Trust will maintain a Paying Agent in Ireland (the “**Irish Paying Agent**”).

*Recipients of Payments.* Payments of interest on Registered Notes will be made by the Paying Agent to the person in whose name the Note is registered at the close of business on the applicable Record Date. Payments of interest on Bearer Notes will be made by the Paying Agent to the person surrendering the relevant coupon (in the case of Bearer Notes initially delivered with coupons attached) or presenting the Note (in the case of Bearer Notes initially delivered without coupons attached) on or after the applicable Interest Payment Date. However, upon maturity, redemption or repayment of the Note, payments of interest will be made by the Paying Agent to the person to whom it pays the principal of the Note.

*Global Registered Notes.* The Paying Agent will make payments of principal, premium, if any, and interest, if any, to the account of DTC or its nominee or Euroclear, Clearstream or the nominee of their common depositary or such other clearing system or its nominee, as holder of global Notes in registered form, by wire transfer of immediately available funds. See “Description of the Notes—Global Notes” below.

*Registered Notes in Definitive Form.* Except as indicated below for payments of interest at maturity, redemption or repayment, the Paying Agent will make U.S. dollar payments of interest either:

- by check mailed to the address of the person entitled to payment as shown on the Note register; or
- for a registered holder of at least \$10,000,000 in aggregate principal amount of definitive Notes having the same Interest Payment Date, by wire transfer of immediately available funds, if the holder has given written notice to the Paying Agent not later than 15 calendar days prior to the applicable Interest Payment Date.

U.S. dollar payments of principal, premium, if any, and interest, if any, upon maturity, redemption or repayment on a Note will be made in immediately available funds against presentation and surrender of the Note.

*Payment Procedures for Rule 144A Notes Denominated in a Foreign Currency.* Rule 144A Notes payable in a Specified Currency other than U.S. dollars will provide that a beneficial owner of those Notes may elect to receive all or a portion of the payments of principal, premium, if any, or interest, if any, in U.S. dollars. In those cases, DTC will elect to receive all payments with respect to the beneficial owner's interest in the Notes in U.S. dollars, unless the beneficial owner takes the following steps:

- The beneficial owner must give complete instructions to the direct or indirect participant through which it holds the global Notes of its election to receive those payments in the Specified Currency other than U.S. dollars by wire transfer to an account specified by the beneficial owner with a bank located outside the United States. In the case of a Note payable in euros, the account must be a euro account in a country for which the euro is the lawful currency.
- The participant must notify DTC of the beneficial owner's election on or prior to the third Business Day after the applicable Record Date, for payments of interest, and on or prior to the twelfth Business Day prior to the maturity date or any redemption or repayment date, for payment of principal or premium.
- DTC will notify the Paying Agent of the beneficial owner's election on or prior to the fifth Business Day after the applicable Record Date, for payments of interest, and on or prior to the tenth Business Day prior to the maturity date or any redemption or repayment date, for payment of principal or premium.

Beneficial owners should consult their participants in order to ascertain the deadline for giving instructions to participants in order to ensure that timely notice will be delivered to DTC.

*Payment Procedures for Registered Notes in Definitive Form Denominated in a Foreign Currency.* For Registered Notes in definitive form payable in a Specified Currency other than U.S. dollars, the Notes may provide that the holder may elect to receive all or a portion of the payments on those Notes in U.S. dollars. To do so, the holder must send a written request to the Paying Agent:

- for payments of interest, on or prior to the fifth Business Day after the applicable Record Date; or
- for payments of principal, at least ten Business Days prior to the maturity date or any redemption or repayment date.

To revoke this election for all or a portion of the payments on the definitive Notes, the holder must send written notice to the Paying Agent:

- at least five Business Days prior to the applicable Record Date, for payment of interest; or
- at least ten calendar days prior to the maturity date or any redemption or repayment date, for payments of principal.

If the holder does not elect to be paid in U.S. dollars, the Paying Agent will pay the principal, premium, if any, or interest, if any, on the definitive Notes:



- by wire transfer of immediately available funds in the Specified Currency to the holder's account at a bank located outside the United States, and in the case of a Note payable in euros, in a country for which the euro is the lawful currency, if the Paying Agent has received the holder's written wire transfer instructions not less than 15 calendar days prior to the applicable payment date; or
- by check payable in the Specified Currency mailed to the address of the person entitled to payment that is specified in the Note register, if the holder has not provided wire instructions.

However, the Paying Agent will only pay the principal of the definitive Notes, any premium and interest, if any, due at maturity, or on any redemption or repayment date, upon surrender of the definitive Notes at the office or agency of the Paying Agent.

*Determination of Exchange Rate for Payments in U.S. Dollars for Notes Denominated in a Foreign Currency.* Subject to the provisions of the applicable Final Terms, the Paying Agent (the “**Exchange Rate Agent**”) will convert the Specified Currency into U.S. dollars for holders who elect to receive payments in U.S. dollars and for beneficial owners of Rule 144A Notes that do not follow the procedures described immediately above. The conversion will be based on the highest bid quotation in The City of New York received by the Exchange Rate Agent at approximately 11:00 a.m., New York City time, on the second Business Day preceding the applicable payment date from three recognized foreign exchange dealers for the purchase by the quoting dealer:

- of the Specified Currency for U.S. dollars for settlement on the payment date;
- in the aggregate amount of the Specified Currency payable to those holders or beneficial owners of the Notes; and
- at which the applicable dealer commits to execute a contract.

One of the dealers providing quotations may be the Exchange Rate Agent unless the Exchange Rate Agent is an affiliate of Jackson. If those bid quotations are not available, payments will be made in the Specified Currency. The holders or beneficial owners of the Notes will pay all currency exchange costs by deductions from the amounts payable on the Notes.

*Unavailability of Foreign Currency.* The relevant Specified Currency may not be available for making payments of principal of, premium, if any, or interest, if any, on any Note. This could occur due to the imposition of exchange controls or other circumstances beyond the Series Trust's control or if the Specified Currency is no longer used by the government of the country issuing that currency or by public institutions within the international banking community for the settlement of transactions. If the Specified Currency is unavailable, obligations to holders of the Notes may be satisfied by making those payments on the date of payment in U.S. dollars on the basis of the noon dollar buying rate in The City of New York for cable transfers of the currency or currencies in which a payment on any Note was to be made, published by the Federal Reserve Bank of New York (the “**Market Exchange Rate**”). If the Market Exchange Rate is not then available or is not published for a particular payment currency, the Market Exchange Rate will be based on the highest bid quotation in The City of New York received by the Exchange Rate Agent at approximately 11:00 a.m., New York City time, on the second Business Day preceding the applicable payment date from three recognized foreign exchange dealers for the purchase by the quoting dealer:

- of the Specified Currency for U.S. dollars for settlement on the payment date;
- in the aggregate amount of the Specified Currency payable to those holders or beneficial owners of the Notes; and
- at which the applicable dealer commits to execute a contract.

One of the dealers providing quotations may be the Exchange Rate Agent unless the Exchange Rate Agent is an affiliate of Jackson. If those bid quotations are not available, the Exchange Rate Agent will determine the Market Exchange Rate at its sole discretion.

These provisions do not apply if a Specified Currency is unavailable because it has been replaced by the euro. If the euro has been substituted for a Specified Currency, the Series Trust may at its option, or will, if required by applicable law, without the consent of the holders of the affected Notes, pay the principal of, premium, if any, or interest, if any, on any Note denominated in the Specified Currency in euros instead of the Specified Currency, in conformity with legally applicable measures taken pursuant to, or by virtue of, the treaty establishing the European Community, as amended by the treaty on European Union. Any payment made in U.S. dollars or in euros as described above where the required payment is in an unavailable Specified Currency will not constitute an Event of Default (as described below under “Description of the Indenture”).

*Discount Notes.* Some Notes may be considered to be issued with original issue discount, which must be included in income for U.S. federal income tax purposes at a constant yield. See “Taxation—United States Taxation of U.S. Holders—Original Issue Discount and Premium” below. If the principal of any Note that is considered to be issued with original issue discount is declared to be due and payable immediately as described under “Description of the Indenture—Events of Default,” the amount of principal due and payable on that Note will be limited to:

- the aggregate principal amount of the Note *multiplied by* the sum of
- its issue price, expressed as a percentage of the aggregate principal amount, *plus*
- the original issue discount amortized from the date of issue to the date of declaration, expressed as a percentage of the aggregate principal amount.

The amortization will be calculated using the “interest method,” computed in accordance with generally accepted accounting principles in effect on the date of declaration. See the applicable Final Terms for any special considerations applicable to these Notes.

### **Fixed Rate Notes**

Each Fixed Rate Note will bear interest from the date of issuance at the annual rate stated on its face until the principal is paid or made available for payment.

*How Interest Is Calculated.* Subject to the provisions of the applicable Final Terms, interest on Fixed Rate Notes will be computed on the basis of a 360-day year of twelve 30-day months.

*How Interest Accrues.* Interest on Fixed Rate Notes will accrue from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for, from and including the issue date or any other date specified in Final Terms on which interest begins to accrue. Interest will accrue to but excluding the next Interest Payment Date, or, if earlier, the date on which the principal has been paid or duly made available for payment, except as described below under “If a Payment Date is Not a Business Day.”

*When Interest Is Paid.* Payments of interest on Fixed Rate Notes will be due on the Interest Payment Dates specified in the applicable Final Terms.

*Amount of Interest Payable.* Interest payments for Fixed Rate Notes will include accrued interest from and including the date of issue or from and including the last date in respect of which interest has been paid, as the case may be, to but excluding the relevant Interest Payment Date or date of maturity or earlier redemption or repayment, as the case may be.

*If a Payment Date is Not a Business Day.* Subject to the provisions of the applicable Final Terms, if (i) any scheduled Interest Payment Date is not a Business Day, the Series Trust will pay interest on the next Business Day, but interest on that payment will not accrue during the period from and after the scheduled Interest Payment Date and (ii) the scheduled maturity date or date of redemption or repayment is not a Business Day, the Series Trust may pay interest and principal and premium, if any, on the next succeeding Business Day, but interest on that payment will not accrue during the period from and after the scheduled maturity date or date of redemption or repayment.

*Amortizing Notes.* If so specified in Final Terms, a Fixed Rate Note may pay a level amount in respect of both interest and principal amortized over the life of the Note. Payments of principal and interest on amortizing Notes will be made on the Interest Payment Dates specified in the applicable Final Terms, and at maturity or upon any earlier redemption or repayment. Payments on amortizing Notes will be applied first to interest due and payable and then to the reduction of the unpaid principal amount. The relevant Series Trust will provide in the applicable Final Terms, a table setting forth repayment information for each amortizing Note.

## **Floating Rate Notes**

Each Floating Rate Note will mature on the date specified in the applicable Final Terms.

Each Floating Rate Note will bear interest at a floating rate determined by reference to the Base Rate.

*Formula for Interest Rates.* The interest rate on each Floating Rate Note will be calculated by reference to the specified Base Rate based on the Index Maturity, plus or minus the Spread, if any, and/or multiplied by the Spread Multiplier, if any.

For any Floating Rate Note, Index Maturity means the period of maturity of the instrument or obligation from which the base rate is calculated and will be specified in the applicable Final Terms. The “**Spread**” is the number of basis points (one one-hundredth of a percentage point) specified in the applicable Final Terms to be added to or subtracted from the Base Rate for a Floating Rate Note. The “**Spread Multiplier**” is the percentage specified in the applicable Final Terms to be multiplied by the Base Rate for a Floating Rate Note.

*Limitations on Interest Rate.* A Floating Rate Note may also have either or both of the following: (i) a maximum limitation, or ceiling, on the rate of interest which may accrue during any interest period (the “**Maximum Interest Rate**”), or (ii) a minimum limitation, or floor, on the rate of interest that may accrue during any interest period (the “**Minimum Interest Rate**”).

Any applicable Maximum Interest Rate or Minimum Interest Rate will be set forth in the relevant Final Terms.

In addition, the interest rate on a Floating Rate Note may not be higher than the maximum rate permitted by New York law, as that rate may be modified by U.S. law of general application.

*How Floating Interest Rates Are Reset.* The interest rate in effect from the date of issue to the first Interest Reset Date for a Floating Rate Note will be the initial interest rate specified in the applicable Final Terms (the “**Initial Interest Rate**”). The interest rate on each Floating Rate Note may be reset daily, weekly, monthly, quarterly, semiannually, annually or as otherwise provided in the relevant Final Terms (the “**Interest Reset Period**”). The first day of each Interest Reset Period is the interest reset date (“**Interest Reset Date**”). The interest determination date for any Interest Reset Date is the day the Calculation Agent will refer to when determining the new interest rate at which a floating rate will reset (the “**Interest Determination Date**”), and, subject to the provisions of the applicable Final Terms, is applicable as follows:

- for CD Rate Notes, Commercial Paper Rate Notes, Federal Funds Rate Notes, Prime Rate Notes and CMT Rate Notes, the Interest Determination Date will be the second Business Day prior to the Interest Reset Date;
- for EURIBOR Notes or Euro LIBOR Notes, the Interest Determination Date will be the second TARGET Settlement Day, as defined under “Description of the Notes—General—Some Definitions,” prior to the Interest Reset Date;
- for LIBOR Notes (other than Euro LIBOR Notes), the Interest Determination Date will be the second London Banking Day prior to the Interest Reset Date, except that the Interest Determination Date pertaining to an Interest Reset Date for a LIBOR Note for which the index currency is pounds sterling will be the Interest Reset Date; and

- for Treasury Rate Notes, the Interest Determination Date will be the day of the week in which the Interest Reset Date falls on which Treasury bills would normally be auctioned.

Treasury bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, but the auction may be held on the preceding Friday. If, as the result of a legal holiday, the auction is held on the preceding Friday, that Friday will be the Interest Determination Date pertaining to the Interest Reset Date occurring in the next succeeding week. If an auction falls on a day that is an Interest Reset Date, that Interest Reset Date will be the next following Business Day.

The Interest Reset Dates will be specified in the applicable Final Terms. Subject to the provisions of the applicable Final Terms, if an Interest Reset Date for any Floating Rate Note falls on a day that is not a Business Day, it will be postponed to the following Business Day, except that, in the case of a EURIBOR Note or a LIBOR Note, if that Business Day is in the next calendar month, the Interest Reset Date may be the immediately preceding Business Day.

The interest rate in effect for the ten calendar days immediately prior to maturity, redemption or repayment will be the one in effect on the tenth calendar day preceding the maturity, redemption or repayment date.

In the detailed descriptions of the various Base Rates which follow, the “Calculation Date” pertaining to an Interest Determination Date means the earlier of (1) the tenth calendar day after that Interest Determination Date, or, if that day is not a Business Day, the next succeeding Business Day, and (2) the Business Day preceding the applicable Interest Payment Date or maturity date or, for any principal amount to be redeemed or repaid, any redemption or repayment date (the “**Calculation Date**”).

*How Interest Is Calculated.* Interest on Floating Rate Notes will accrue from and including the most recent Interest Payment Date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for, from and including the issue date or any other date specified in Final Terms on which interest begins to accrue. Interest will accrue to but excluding the next Interest Payment Date or, if earlier, the date on which the principal has been paid or duly made available for payment, except as described below under “If a Payment Date is Not a Business Day.”

The applicable Final Terms will specify a Calculation Agent for any issue of Floating Rate Notes. The Calculation Agent will provide notice of the interest rate, interest amount and interest period which will become effective on the next Interest Rate Reset Date to the Indenture Trustee, Principal Paying Agent, Registrar (in the case of Registered Notes), the relevant Series Trust, the Noteholders, and if the Notes are listed on a stock exchange, and the guidelines of such exchange so require, such exchange as soon as possible after their determination or calculation, but in no event later than the fourth London Banking Day thereafter or, earlier if in the case of notification to the stock exchange and the Noteholders, the guidelines of such exchange so require.

For a Floating Rate Note, accrued interest will be calculated by multiplying the principal amount of the Floating Rate Note by an accrued interest factor. This accrued interest factor will be computed by adding the interest factors calculated for each day in the period for which interest is being paid. Subject to the provisions of the applicable Final Terms, the interest factor for each day is computed by *dividing* the interest rate applicable to that day which shall be as follows:

- by 360, in the case of CD Rate Notes, Commercial Paper Rate Notes, EURIBOR Notes, Federal Funds Rate Notes, LIBOR Notes, except for LIBOR Notes denominated in pounds sterling, and Prime Rate Notes;
- by 365, in the case of LIBOR Notes denominated in pounds sterling; or
- by the actual number of days in the year, in the case of Treasury Rate Notes and CMT Rate Notes.

For these calculations, the interest rate in effect on any Interest Reset Date will be the applicable rate as reset on that date. The interest rate applicable to any other day is the interest rate from the immediately preceding Interest Reset Date or, if none, the initial interest rate.

Subject to the provisions of the applicable Final Terms, all percentages used in or resulting from any calculation of the rate of interest on a Floating Rate Note will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (.0000001), with five one-millionths of a percentage point rounded upward, and all U.S. dollar amounts used in or resulting from these calculations on Floating Rate Notes will be rounded to the nearest cent, with one-half cent rounded upward.

*When Interest Is Payable.* Interest will be due and payable by the relevant Series Trust on Floating Rate Notes on the Interest Payment Dates specified in the applicable Final Terms.

*If a Payment Date is Not a Business Day.* Subject to the provisions of the applicable Final Terms, if any scheduled Interest Payment Date, maturity date or any earlier redemption or repayment date, for any Floating Rate Note falls on a day that is not a Business Day, it will be postponed to the following Business Day, except that, in the case of a EURIBOR Note or a LIBOR Note, if that Business Day would fall in the next calendar month, the Interest Payment Date will be the immediately preceding Business Day. Further, subject to the provisions of the applicable Final Terms, if the scheduled maturity date or any earlier redemption or repayment date of a Floating Rate Note falls on a day that is not a Business Day, the payment of principal, premium, if any, and interest, if any, will be made on the next succeeding Business Day, but interest on that payment will not accrue during the period from and after the maturity, redemption or repayment date.

### **ISDA Rate Notes**

If the relevant Final Terms specifies the interest rate applicable to the Notes as being ISDA Rate, each Note shall bear interest as from such date, and at such rate or in such amounts, and such interest will be payable on such dates, as would have applied (regardless of any event of default or termination event or tax event thereunder) if the relevant Series Trust had entered into an interest rate swap transaction with the holder of such Note under the terms of an agreement to which the ISDA Definitions applied and under which:

- the Fixed Rate Payer, Fixed Amount Payer, Fixed Price Payer, Floating Rate Payer, Floating Amount Payer or, as the case may be, the Floating Price Payer is the relevant Series Trust (as specified in the relevant Final Terms);
- the Effective Date is the issue date of the relevant Notes;
- the Termination Date is the maturity date of the relevant Notes;
- the Calculation Agent is the Calculation Agent as specified in the relevant Final Terms;
- the Calculation Periods are the interest periods;
- the Period End Dates are the interest period end dates;
- the Payment Dates are the Interest Payment Dates;
- the Reset Dates are the interest period end dates;
- the Calculation Amount is the principal amount of the relevant Note;
- the Day Count Fraction applicable to the calculation of any amount is that specified in the relevant Final Terms or, if none is so specified, as may be determined in accordance with the ISDA Definitions; and

- the Applicable Business Day Convention applicable to any date is that specified in the relevant Final Terms or, if none is so specified, as may be determined in accordance with the ISDA Definitions.

## **Base Rates**

### ***CD Rate Notes***

CD Rate Notes will bear interest at the interest rates (calculated with reference to the CD Rate and the Spread and/or Spread Multiplier, if any, and subject to the Minimum Interest Rate and the Maximum Interest Rate, if any) specified in the CD Rate Notes and in the applicable Final Terms.

Subject to the provisions of the applicable Final Terms, “**CD Rate**” means, with respect to any Interest Determination Date relating to a CD Rate Note (a “**CD Interest Determination Date**”), the rate on such date for negotiable certificates of deposit having the Index Maturity specified in the applicable Final Terms as published by the Board of Governors of the Federal Reserve System in “Statistical Release H.15(519), Selected Interest Rates” or any successor publication of the Board of Governors of the Federal Reserve System (“**H.15(519)**”) under the heading “CDs (Secondary Market).”

The following procedures will be followed if the CD Rate cannot be determined as described above:

- If the above rate is not published in H.15(519) by 9:00 a.m., New York City time, on the Calculation Date, the CD Rate will be the rate on such CD Interest Determination Date set forth in the daily update of H.15(519), available through the website of the Board of Governors of the Federal Reserve System at <http://www.bog.frb.fed.us/releases/h15/update>, or any successor site or publication (“**H.15 Daily Update**”), for the day in respect of certificates of deposit having the Index Maturity specified in the applicable Final Terms under the caption “CDs (Secondary Market).”
- If such rate is not yet published in either H.15(519) or the H.15 Daily Update by 3:00 p.m., New York City time, on the Calculation Date, the Calculation Agent will determine the CD Rate to be the arithmetic mean of the secondary market offered rates as of 10:00 a.m., New York City time, on such CD Interest Determination Date, of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in New York City selected by the Calculation Agent for negotiable certificates of deposit of major U.S. money center banks of the highest credit standing in the market for negotiable certificates of deposit with a remaining maturity closest to the Index Maturity specified in the applicable Final Terms in an amount that is representative for a single transaction in that market at that time.
- If the dealers selected by the Calculation Agent are not quoting as set forth above, the CD Rate with respect to such CD Interest Determination Date will remain the CD Rate then in effect on such CD Interest Determination Date.

### ***Commercial Paper Rate Notes***

Commercial Paper Rate Notes will bear interest at the interest rates (calculated with reference to the Commercial Paper Rate and the Spread and/or Spread Multiplier, if any, and subject to the Minimum Interest Rate and the Maximum Interest Rate, if any) specified in the Commercial Paper Rate Notes and in the applicable Final Terms.

Subject to the provisions of the applicable Final Terms, “**Commercial Paper Rate**” means, with respect to any Interest Determination Date relating to a Commercial Paper Rate Note (a “**Commercial Paper Interest Determination Date**”), the Money Market Yield (calculated as described below) of the rate on such date for commercial paper having the Index Maturity specified in the applicable Final Terms, as such rate shall be published in H.15 (519) under the heading “Commercial Paper—Nonfinancial.”

The following procedures will be followed if the Commercial Paper Rate cannot be determined as described above:

- If the above rate is not published by 9:00 a.m., New York City time, on the Calculation Date, then the Commercial Paper Rate will be the Money Market Yield of the rate on such Commercial Paper Interest Determination Date for commercial paper of the Index Maturity specified in the applicable Final Terms as published in H.15 Daily Update under the heading “Commercial Paper—Nonfinancial.”
- If by 3:00 p.m., New York City time, on such Calculation Date such rate is not yet published in either H.15(519) or H.15 Daily Update, then the Calculation Agent will determine the Commercial Paper Rate to be the Money Market Yield of the arithmetic mean of the offered rates as of 11:00 a.m., New York City time, on such Commercial Paper Interest Determination Date of three leading dealers of commercial paper in New York City selected by the Calculation Agent for commercial paper of the Index Maturity specified in the applicable Final Terms placed for an industrial issuer whose bond rating is “AA,” or the equivalent, from a nationally recognized statistical rating organization.
- If the dealers selected by the Calculation Agent are not quoting as set forth above, the Commercial Paper Rate with respect to such Commercial Paper Interest Determination Date will remain the Commercial Paper Rate then in effect on such Commercial Paper Interest Determination Date.

The “**Money Market Yield**” will be a yield calculated in accordance with the following formula:

$$\text{Money Market Yield} = \frac{D \times 360}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for commercial paper quoted on a bank discount basis and expressed as a decimal and “M” refers to the actual number of days in the interest period for which interest is being calculated.

### ***EURIBOR Notes***

EURIBOR Notes will bear interest at the interest rates (calculated with reference to EURIBOR and the Spread and/or Spread Multiplier, if any, and subject to the Minimum Interest Rate and the Maximum Interest Rate, if any) specified in the EURIBOR Notes and in the applicable Final Terms.

Subject to the provisions of the applicable Final Terms, “**EURIBOR**” means, with respect to any Interest Determination Date relating to a EURIBOR Note (a “**EURIBOR Interest Determination Date**”), the rate for deposits in euros as sponsored, calculated and published jointly by the European Banking Federation and ACI - The Financial Market Association, or any company established by the joint sponsors for purposes of compiling and publishing those rates, for the Index Maturity specified in the applicable Final Terms as that rate appears on the display on Reuters, or any successor service, on page EURIBOR01 or any other page as may replace page EURIBOR01 on that service, which is commonly referred to as “**Reuters Screen EURIBOR01 Page**”, as of 11:00 a.m. (Brussels time).

The following procedures will be followed if the rate cannot be determined as described above:

- If the above rate does not appear as of such time, the Calculation Agent will request the principal Euro-zone office of each of four major banks in the Euro-zone interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered rate for deposits in euros, at approximately 11:00 a.m. (Brussels time) on the Interest Determination Date, to prime banks in the Euro-zone interbank market for the Index Maturity specified in the applicable Final Terms commencing on the applicable Interest Reset Date, and in a principal amount not less than the

equivalent of U.S.\$1.0 million in euros that is representative of a single transaction in euros, in that market at that time. If at least two quotations are provided, EURIBOR will be the arithmetic mean of those quotations.

- If fewer than two quotations are provided, EURIBOR will be the arithmetic mean of the rates quoted by four major banks in the Euro-zone, as selected by the Calculation Agent, at approximately 11:00 a.m. (Brussels time), on the applicable Interest Reset Date for loans in euros to leading European banks for a period of time equivalent to the Index Maturity specified in the applicable Final Terms commencing on that Interest Reset Date in a principal amount not less than the equivalent of U.S.\$1.0 million in euros.
- If the banks so selected by the Calculation Agent are not quoting as set forth above, the EURIBOR Rate in effect for the applicable period will be the same as EURIBOR for the immediately preceding Interest Reset Period, or, if there was no Interest Reset Period, the rate of interest will be the Initial Interest Rate.

“**Euro-zone**” means the region comprised of member states of the European Union that adopt the single currency in accordance with the treaty establishing the European Community, as amended by the treaty on European Union.

#### ***Federal Funds Rate Notes***

Federal Funds Rate Notes will bear interest at the interest rates (calculated with reference to the Federal Funds Rate and the Spread and/or Spread Multiplier, if any, and subject to the Minimum Interest Rate and the Maximum Interest Rate, if any) specified in the Federal Funds Rate Notes and in the applicable Final Terms.

Subject to the provisions of the applicable Final Terms, “**Federal Funds Rate**” means, with respect to any Interest Determination Date relating to a Federal Funds Rate Note (a “**Federal Funds Interest Determination Date**”), the rate on that day for Federal Funds as published in H.15(519) under the heading “Federal Funds (Effective)” as displayed on Reuters (or any successor service) on page FEDFUND01 or any other page as may replace the applicable page on that service (“**FEDFUND01 Page**”).

The following procedures will be followed if the Federal Funds Rate cannot be determined as described above:

- If the above rate is not displayed on Reuters Screen FEDFUND01 Page or is not published by 9:00 a.m., New York City time, on the Calculation Date, the Federal Funds Rate will be the rate on such Federal Funds Interest Determination Date as published in H.15 Daily Update under the heading “Federal Funds (Effective).”
- If such rate is not yet published in either H.15 (519) or H.15 Daily Update by 3:00 p.m., New York City time, on the Calculation Date, the Calculation Agent will determine the Federal Funds Rate to be the arithmetic mean of the rates for the last transaction in overnight Federal Funds arranged by each of three leading brokers of Federal Funds transactions in New York City selected by the Calculation Agent prior to 9:00 a.m., New York City time, on such Federal Funds Interest Determination Date.
- If the brokers selected by the Calculation Agent are not quoting as set forth above, the Federal Funds Rate with respect to such Federal Funds Interest Determination Date will remain the Federal Funds Rate then in effect on such Federal Funds Interest Determination Date.



## ***LIBOR Notes***

LIBOR Notes will bear interest at the interest rates (calculated with reference to the London interbank offered rate (“**LIBOR**”) and the Spread and/or Spread Multiplier, if any, and subject to the Minimum Interest Rate and the Maximum Interest Rate, if any) specified in the LIBOR Notes and in the applicable Final Terms.

Subject to the provisions of the applicable Final Terms, LIBOR for each Interest Determination Date relating to a LIBOR Note (a “**LIBOR Interest Determination Date**”) will be determined by the Calculation Agent as follows:

- As of the Interest Determination Date, LIBOR will be the arithmetic mean of the offered rates (unless the specified Reuters Screen LIBOR Page (as defined below) by its terms provides only for a single rate, in which case such single rate shall be used) for deposits in the Index Currency (as defined below) having the Index Maturity designated in the applicable Final Terms, commencing on the second London Banking Day immediately following such Interest Determination Date, that appear on the Reuters Screen LIBOR Page as of 11:00 a.m., London time, on that Interest Determination Date, if at least two such offered rates appear (unless, as aforesaid, only a single rate is required) on such Reuters Screen LIBOR Page. If fewer than two offered rates appear, LIBOR in respect of the related Interest Determination Date will be determined as if the parties had specified the rate described below.
- With respect to an Interest Determination Date on which fewer than two offered rates appear, the Calculation Agent will request the principal London offices of each of four major reference banks in the London interbank market, as selected by the Calculation Agent, to provide the Calculation Agent with its offered quotation for deposits in the Index Currency for the period of the Index Maturity designated in the applicable Final Terms, commencing on the second London Banking Day immediately following such Interest Determination Date, to prime banks in the London interbank market at approximately 11:00 a.m., London time, on such Interest Determination Date and in a principal amount that is representative of a single transaction in such Index Currency in such market at that time.
- If at least two such quotations are provided, LIBOR determined on such Interest Determination Date will be the arithmetic mean of such quotations. If fewer than two quotations are provided, LIBOR determined on such Interest Determination Date will be the arithmetic mean of the rates quoted at approximately 11:00 a.m. (or such other time specified in the applicable Final Terms), in the applicable principal financial center for the country of the Index Currency on such Interest Determination Date, by three major banks in such principal financial center selected by the Calculation Agent for loans in the Index Currency to leading European banks, having the Index Maturity designated in the applicable Final Terms and in a principal amount that is representative for a single transaction in such Index Currency in such market at such time; provided, however, that if the banks so selected by the Calculation Agent are not quoting as mentioned in this sentence, LIBOR in effect for the applicable period will be the same as LIBOR for the immediately preceding Interest Reset Period (or, if there was no such Interest Reset Period, the rate of interest payable on the LIBOR Notes for which such LIBOR is being determined shall be the Initial Interest Rate).

“**Index Currency**” means the currency (including composite currencies) specified in the applicable Final Terms as the currency for which LIBOR shall be calculated. If no such currency is specified in the applicable Final Terms, the Index Currency shall be U.S. dollars.

“**Reuters Screen LIBOR Page**” means the display designated as LIBOR01 on the Reuters 3000 Xtra (or any other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for purposes of displaying such information) for the purpose of displaying the London interbank rates of major banks for the applicable Index Currency.

### ***Prime Rate Notes***

Prime Rate Notes will bear interest at the interest rates (calculated with reference to the Prime Rate and the Spread and/or Spread Multiplier, if any, and subject to the Minimum Interest Rate and the Maximum Interest Rate, if any) specified in the Prime Rate Notes and in the applicable Final Terms.

Subject to the provisions of the applicable Final Terms, “**Prime Rate**” means, with respect to any Interest Determination Date relating to a Prime Rate Note (a “**Prime Interest Determination Date**”), the rate on such date as published in H.15(519) under the heading “Bank Prime Loan.”

The following procedures will be followed if the Prime Rate cannot be determined as described above:

- If the rate is not published prior to 9:00 a.m., New York City time, on the Calculation Date, then the Prime Rate will be the rate on such Prime Interest Determination Date as published in H.15 Daily Update opposite the caption “Bank Prime Loan.”
- If the rate is not published prior to 3:00 p.m., New York City time, on the Calculation Date, in either H.15 (519) or the H.15 Daily Update then the Calculation Agent will determine the Prime Rate to be the arithmetic mean of the rates of interest publicly announced by each bank that appears on the Reuters Screen US PRIME 1 Page (as defined below) as such bank’s prime rate or base lending rate as in effect for that Prime Interest Determination Date.
- If fewer than four such rates appear on the Reuters Screen US PRIME 1 Page for the Prime Interest Determination Date, the Calculation Agent will determine the Prime Rate to be the arithmetic mean of the prime rates quoted on the basis of the actual number of days in the year divided by 360 as of the close of business on such Prime Interest Determination Date by at least three major banks in New York City selected by the Calculation Agent.
- If the banks selected are not quoting as mentioned above, the Prime Rate will remain the Prime Rate in effect on such Prime Interest Determination Date.

“**Reuters Screen US PRIME 1 Page**” means the display designated as page “US PRIME 1” on the Reuters Money 3000 Service (or any successor service) or any such other page as may replace the US PRIME 1 Page on that service for the purpose of displaying prime rates or base lending rates of major U.S. banks.

### ***Treasury Rate Notes***

Treasury Rate Notes will bear interest at the interest rates (calculated with reference to the Treasury Rate and the Spread and/or Spread Multiplier, if any, and subject to the Minimum Interest Rate and the Maximum Interest Rate, if any) specified in the Treasury Rate Notes and the applicable Final Terms.

Subject to the provisions of the applicable Final Terms, “**Treasury Rate**” means, with respect to any Interest Determination Date relating to a Treasury Rate Note (a “**Treasury Rate Interest Determination Date**”), the rate from the auction held on the applicable Interest Determination Date (the “**Auction**”) of direct obligations of the United States (“**Treasury Bills**”) having the Index Maturity specified in the applicable Final Terms as that rate appears under the caption “INVESTMENT RATE” on the display on Reuters, or any successor service, on page USAUCTION10 or any other page as may replace page USAUCTION10 on that service (“**Reuters Screen USAUCTION10 Page**”) or page USAUCTION11 or any other page as may replace page USAUCTION11 on that service (“**USAUCTION11 Page**”).

The following procedures will be followed if the Treasury Rate cannot be determined as described above:

- If the rate described above is not published by 3:00 p.m., New York City time, on the Calculation Date, the Bond Equivalent Yield of the rate for the applicable Treasury Bills as published in the

H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “U.S. Government Securities/Treasury Bills/Auction High.”

- If the rate described above is not published by 3:00 p.m., New York City time, on the related Calculation Date, the Bond Equivalent Yield of the Auction rate of the applicable Treasury Bills, announced by the United States Department of the Treasury.
- In the event that the rate described above is not announced by the United States Department of the Treasury, or if the Auction is not held, the Bond Equivalent Yield of the rate on the applicable Treasury Rate Interest Determination Date of Treasury Bills having the Index Maturity specified in the relevant Final Terms published in H.15 (519) under the caption “U.S. Government Securities/Treasury Bills/Secondary Market.”
- If the rate described above is not so published by 3:00 p.m., New York City time, on the related Calculation Date, the rate on the applicable Treasury Rate Interest Determination Date of the applicable Treasury Bills as published in H.15 Daily Update, or other recognized electronic source used for the purpose of displaying the applicable rate, under the caption “U.S. Government Securities/Treasury Bills/Secondary Market.”
- If the rate described above is not so published by 3:00 p.m., New York City time, on the related Calculation Date, the rate on the applicable Interest Determination Date calculated by the Calculation Agent as the Bond Equivalent Yield of the arithmetic mean of the secondary market bid rates, as of approximately 3:30 p.m., New York City time, on the applicable Treasury Rate Interest Determination Date, of three primary United States government securities dealers, which may include the Calculation Agent or its affiliates, selected by the Calculation Agent, for the issue of Treasury Bills with a remaining maturity closest to the Index Maturity specified in the applicable Final Terms.
- If the dealers selected by the Calculation Agent are not quoting as described above, the Treasury Rate with respect to such Treasury Rate Interest Determination Date will remain the Treasury Rate then in effect on such Treasury Rate Interest Determination Date, or, if there was no Interest Reset Period, the rate of interest payable shall be the Initial Interest Rate.

The “**Bond Equivalent Yield**” means a yield calculated in accordance with the following formula and expressed as a percentage:

$$\text{Bond Equivalent Yield} = \frac{D \times N}{360 - (D \times M)} \times 100$$

where “D” refers to the applicable per annum rate for Treasury Bills quoted on a bank discount basis, “N” refers to 365 or 366, as the case may be, and “M” refers to the actual number of days in the interest period for which interest is being calculated.

#### ***CMT Rate Notes***

CMT Rate Notes will bear interest at the interest rates (calculated with reference to the CMT Rate and the Spread and/or Spread Multiplier, if any, and subject to the Minimum Interest Rate and the Maximum Interest Rate, if any) specified in the CMT Rate Notes and in the applicable Final Terms.

Subject to the provisions of the applicable Final Terms, “**CMT Rate**” means, with respect to any Interest Determination Date relating to a CMT Rate Note (a “**CMT Interest Determination Date**”), the rate displayed on the Designated CMT Reuters Page (as defined below) under the caption “Treasury Constant Maturities. Federal Reserve Board Release H.15. Mondays Approximately 3:45 p.m.,” under the column for the Designated CMT Maturity Index (as defined below) for:

- (i) If the Designated CMT Reuters Page is FRBCMT, the rate on such CMT Interest Determination Date; and
- (ii) If the Designated CMT Reuters Page is FEDCMT, the week or the month, as applicable, ended immediately preceding the week in which the related CMT Interest Determination Date occurs.

The following procedures will be used if the CMT Rate cannot be determined as described above:

- If such rate is no longer displayed on the relevant page, or if not displayed by 3:00 p.m., New York City time, on the related Calculation Date, then the CMT Rate will be such Treasury Constant Maturity rate for the Designated CMT Maturity Index as published in the relevant H.15 (519).
- If that rate is no longer published, or if not published by 3:00 p.m., New York City time, on the related Calculation Date, then the CMT Rate will be such Treasury Constant Maturity rate for the Designated CMT Maturity Index (or other United States Treasury rate for the Designated CMT Maturity Index) for the CMT Interest Determination Date with respect to such Interest Reset Date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the Calculation Agent determines to be comparable to the rate formerly displayed on the Designated CMT Reuters Page and published in the relevant H.15(519).
- If such information is not provided by 3:00 p.m., New York City time, on the related Calculation Date, then the Calculation Agent will determine the CMT Rate to be a yield to maturity, based on the arithmetic mean of the secondary market closing offer side prices as of approximately 3:30 p.m., New York City time, on the CMT Interest Determination Date reported, according to their written records, by three leading primary U.S. government securities dealers (each, a “**Reference Dealer**”) in the City of New York selected by the Calculation Agent as described in the following sentence. The Calculation Agent will select five Reference Dealers and will eliminate the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest), for the most recently issued direct noncallable fixed rate obligations of the U.S. (“**Treasury Notes**”), with an original maturity of approximately the Designated CMT Maturity Index and a remaining term to maturity of not less than such Designated CMT Maturity Index minus one year.
- If the Calculation Agent cannot obtain three such Treasury Notes quotations, the Calculation Agent will determine the CMT Rate to be a yield to maturity based on the arithmetic mean of the secondary market offer side prices as of approximately 3:30 p.m., New York City time, on the CMT Interest Determination Date of three Reference Dealers in City of New York (selected using the same method described above), for Treasury Notes with an original maturity of the number of years that is the next highest to the Designated CMT Maturity Index and a remaining term to maturity closest to the Designated CMT Maturity Index and in an amount of at least \$100,000,000.
- If three or four (and not five) of such Reference Dealers are quoting as described above, then the CMT Rate will be based on the arithmetic mean of the offer prices obtained and neither the highest nor the lowest of such quotes will be eliminated.
- If fewer than three Reference Dealers selected by the Calculation Agent are quoting as described above, the CMT Rate will be the CMT Rate in effect on such CMT Interest Determination Date.
- If two Treasury Notes with an original maturity as described above have remaining terms to maturity equally close to the Designated CMT Maturity Index, the quotes for the Treasury Note with the shorter remaining term to maturity will be used.

- If the Reference Dealers selected by the Calculation Agent are not quoting as set forth above, the CMT Rate with respect to such CMT Interest Determination Date will remain the CMT Rate then in effect on such CMT Interest Determination Date.

**“Designated CMT Reuters Page”** means the display on Reuters (or any successor service) on the page designated in the applicable Final Terms (or any other page as may replace such page on that service for the purpose of displaying Treasury Constant Maturities as reported in H.15(519)), for the purpose of displaying Treasury Constant Maturities as reported in H.15(519). If no such page is specified in the applicable Final Terms, the Designated CMT Reuters Page shall be FEDCMT, for the most recent week.

**“Designated CMT Maturity Index”** means the original period to maturity of the U.S. Treasury securities (either 1, 2, 3, 5, 7, 10, 20 or 30 years) specified in an applicable Final Terms with respect to which the CMT Rate will be calculated. If no maturity is specified in the applicable Final Terms, the Designated CMT Maturity Index shall be two years.

### **Redemption at Maturity**

Subject to the provisions of the applicable Final Terms, each Note shall be redeemed on maturity at its outstanding principal amount.

### **Payment of Additional Amounts**

Subject to the provisions of the applicable Final Terms, each Series Trust will, subject to the exceptions and limitations set forth below, pay as additional interest on the Notes such additional amounts as are necessary in order that the net payment by the Series Trust or a Paying Agent of the principal of and interest on the Notes to a Holder of a Note (as defined in the section “Taxation”), after deduction or withholding for any present or future taxes, duties, assessments or governmental charges of the United States or a political subdivision or taxing authority thereof or therein, imposed by withholding with respect to the payment, will not be less than the amount provided in the Notes to be then due and payable; *provided, however*, that the foregoing obligation to pay additional amounts shall not apply to (a) any tax, duty, levy, assessment or governmental charge imposed which would have not been imposed but for the existence of any present or former connection between a holder or beneficial owner of one or more of the Notes and the United States, including being or having been a citizen or resident thereof, or being or having been present therein, engaged in a trade or business therein, or incorporated therein, or having or having had a permanent establishment therein, or being or having been a controlled foreign corporation, a personal holding company, a passive foreign investment company, a corporation that has accumulated earnings to avoid United States federal income tax or a private foundation or other tax-exempt organization, or being or having been an actual or constructive owner of 10 % or more of the total combined voting power of all shares of Jackson or of the Series Trust or its owner; (b) any tax, duty, levy, assessment or governmental charge which would not have been imposed but for the presentation of the Notes (where presentation is required) for payment on a date more than 30 days after the date on which such payment becomes due and payable or the date on which payment is duly provided for, whichever occurs later, except to the extent that the holder or beneficial owner of the Notes would have been entitled to additional amounts had the Notes been presented on the last day of such period of 30 days; (c) any tax, duty, levy, assessment or governmental charge which is imposed or withheld solely by reasons of the failure of a holder or beneficial owner of a Note to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of a Holder or beneficial owner of such Note, if compliance is required by statute, by regulation of the United States Treasury Department or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other government charge; (d) any inheritance, gift, estate, personal property, sales, transfer or similar tax, duty, levy, assessment or governmental charge; (e) any tax, duty, levy, assessment or governmental charge that is payable otherwise than by withholding from payments in respect of the Notes; (f) any tax, duty, levy, assessment or governmental charge which is imposed by reason of the holder or beneficial owner being or having been a bank for United States federal income tax purposes whose receipt of interest on the Notes is described in section 881(c)(3)(A) of the Code; (g) any tax, duty, levy, assessment or governmental charge imposed by reason of payments on the Notes being treated as contingent interest described in section 871(h)(4) of the Code; (h) any tax, duty, levy, assessment or governmental charge that would not have been imposed but for an election by the holder or beneficial owner of one or more of the Notes the effect of which is to make payment in respect of the

Notes subject to United States federal income tax; (i) any tax, duty, levy, assessment or governmental charge imposed under any of Sections 1471 through 1474 of the Code, any applicable United States Treasury Regulations promulgated thereunder, or any judicial or administrative interpretation of any of the foregoing; (j) any tax, duty, levy, assessment or governmental charge imposed with respect to a Bearer Note issued after March 18, 2012 that is not treated as being in “registered form” for U.S. federal income tax purposes; or (k) any combination of items (a), (b), (c), (d), (e), (f), (g), (h), (i) or (j). In addition, the obligation to pay additional amounts shall not apply unless Jackson is similarly obligated to pay additional amounts under the Funding Agreement which secures the applicable Notes. See “Description of Certain Terms and Conditions of the Funding Agreements—Payment of Additional Amounts.”

Should any deduction or withholding on account of tax be required to be made, or is made, pursuant to the European Union Council Directive 2003/48/EC on taxation of savings income in the form of interest payments (the “**Directive**”) or any law implementing or complying with, or introduced in order to conform to the Directive, no additional amounts shall be payable or paid by any Series Trust or by Jackson to any holder in respect of the Notes in order that the net amounts receivable by such holder after such deduction or withholding shall be equal to the respective amounts which would have been receivable by such holder in the absence of such deduction or withholding.

The Notes are subject in all cases to any tax, fiscal or other law or regulation or administrative or judicial interpretation applicable thereto. Except as specifically provided under this heading “Description of the Notes — Payment of Additional Amounts,” the Series Trust for the relevant series of Notes shall not be required to make any payment with respect to any tax, assessment or governmental charge imposed by any government or a political subdivision or taxing authority thereof or therein.

### **Tax Redemption**

If Jackson, as a result of it being required to pay additional amounts under the Funding Agreement securing the relevant Notes, has elected to repay all amounts due under such Funding Agreement, and thereby terminates such Funding Agreement, then the relevant Series Trust shall redeem, as a whole, but not in part, the Notes on not less than 30 nor more than 60 days’ notice, at a redemption price equal to 100% of their principal amount or such other redemption amount as specified in the Final Terms, together with interest accrued but unpaid thereon to the date fixed for redemption, plus any additional amounts, if any, thereon. Notice of such tax redemption shall be made in a leading daily newspaper having general circulation in Ireland (expected to be the *Irish Times*).

### **Optional Redemption and Repurchase of the Notes**

*Optional Redemption by a Series Trust.* The relevant Final Terms will indicate the terms of a Series Trust’s option to redeem the Notes. The relevant Series Trust will mail a notice of redemption to each holder of Registered Notes by first-class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption, or within the redemption notice period designated in the applicable Final Terms, to the address of each holder as that address appears upon the books maintained by the Paying Agent. Further, notice of such redemption shall be made in a leading daily newspaper having general circulation in Ireland (expected to be the *Irish Times*). The Series Trust will provide notice of redemption to each holder of Bearer Notes by publication in a leading daily newspaper having general circulation in London (expected to be the *Financial Times*), and in the case of any Bearer Notes which are admitted to trading on the regulated market of the Irish Stock Exchange, in a leading daily newspaper having general circulation in Ireland (expected to be the *Irish Times*), or if either such publications is not practicable, in a leading general circulation newspaper in Europe. The first publication of the notice of redemption will be made at least 30 days and not more than 60 days prior to the date fixed for redemption. The applicable Final Terms may also specify another redemption notice period and means of effective communication with holders of the Notes.

*Repayment at Option of Holder.* Except with respect to an event of default under the Notes, the Notes will not provide the holder with the option to have the Series Trust repay the Note on a date or dates specified prior to its maturity date. See “Description of the Indenture—Events of Default.”

*Repurchase of the Notes.* The Trust may purchase some or all the Notes of any Series in the open market or otherwise at any time, and from time to time, with the prior written consent of Jackson as to both the making of such purchase and the purchase price to be paid for such Notes; *provided* that all unmatured coupons or talons appertaining thereto are purchased therewith. If Jackson, in its sole discretion, consents to such purchase of the Notes by the Trust, then the Trust and the Indenture Trustee agree to take such actions as may be necessary or desirable to effect the prepayment of such portion, or the entirety, of the current balance of the Deposit under each applicable Funding Agreement as may be necessary to provide for the payment of the purchase price for such Notes. Upon such payment, the balance of the Deposit shall be reduced (i) with respect to any purchase of Fixed Rate Notes or Floating Rate Notes, by an amount equal to the aggregate principal amount of the Notes as purchased (or the portion thereof applicable to such Funding Agreement) and (ii) with respect to any purchase of the Notes other than Fixed Rate Notes or Floating Rate Notes, by an amount to be agreed between the Trust and Jackson to reflect such prepayment under the Funding Agreement.

## **Replacement of the Notes**

At the expense of the holder, a Series Trust will replace any Notes that become mutilated, destroyed, lost or stolen or are apparently destroyed, lost or stolen. The mutilated Notes must be delivered to the applicable trustee, the Paying Agent and the registrar (the “**Registrar**”), in the case of Registered Notes, or satisfactory evidence of the destruction, loss or theft of the Notes must be delivered to the relevant Series Trust, the Paying Agent, the Registrar (in the case of Registered Notes), and the applicable trustee. At the expense of the holder, an indemnity that is satisfactory to the relevant Series Trust, the Principal Paying Agent, the Registrar (in the case of Registered Notes), and the applicable trustee may be required before a replacement Note will be issued.

## **Prescription**

Any money deposited with the Indenture Trustee, Registrar or any Paying Agent in trust for the payment of the principal of or interest on any Note and remaining unclaimed for two years after such principal or any such premium or interest had become due and payable shall be paid to the relevant Series Trust on a Trust Request (as defined in the Indenture); and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the relevant Series Trust for payment thereof, and all liability of the Indenture Trustee, Registrar or such Paying Agent with respect to such trust money shall thereupon cease; *provided, however*, that the Indenture Trustee, Registrar or such Paying Agent, before being required to make any such repayment, may at the expense of the relevant Series Trust cause to be published once, in an Authorized Newspaper (as defined in the Indenture) in each Place of Payment or to be mailed to Noteholders, or both, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication or mailing nor shall it be later than two years after such principal and any interest shall have become due and payable, any unclaimed balance of such money then remaining will be repaid to the relevant Series Trust.

## **Global Notes**

### ***General***

*Book-Entry, Delivery and Form.* The information set out below in connection with DTC, Euroclear and Clearstream (together, the “**Clearing Systems**”) is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect. The information in this section concerning the Clearing Systems has been obtained from sources believed to be reliable, but none of Jackson, any Series Trust or any Initial Purchaser takes any responsibility for the accuracy thereof. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the applicability of the rules, regulations and procedures of the relevant Clearing System. Neither Jackson, any Series Trust, any Initial Purchaser nor any other party to the Indenture or Master Trust Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of interests in the Notes held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

*Notes Sold under Rule 144A.* Subject to the provisions of the applicable Final Terms, the Notes of each series offered and sold in reliance on Rule 144A under the Securities Act will be issued in the form of a permanent global security certificates, in fully registered form without interest coupons (the “**Rule 144A Global Note**”), which

shall be deposited with the Custodian (as defined herein) as custodian for the DTC and registered in the name of the 144A Nominee (as defined herein), as nominee of DTC for credit to the respective accounts of the purchasers of the Notes at DTC. The Rule 144A Global Note and any Note issued in exchange therefor will be subject to certain restrictions on transfer set forth herein and in the Master Trust Agreement and relevant Series Trust Agreement and will bear the legends set forth in “Purchase and Transfer Restrictions.”

*Notes Sold in Registered Form Under Regulation S.* Subject to the provisions of the applicable Final Terms, Registered Notes of each series offered and sold outside of the United States in reliance on Regulation S under the Securities Act will initially be represented by one or more temporary global security certificates, in fully registered form without interest coupons (the “**Regulation S Temporary Global Registered Note**”), registered in the name of the Regulation S Nominee (as defined herein), as nominee for, Euroclear and/or Clearstream (and any other relevant clearing agency specified in the relevant Final Terms) and deposited with the Common Depositary, as common depositary of Euroclear and/or Clearstream (and any other relevant clearing agency specified in the relevant Final Terms) and in respect of interests held through Euroclear and Clearstream (or such other relevant clearing agency as may be specified in the relevant Final Terms) for the respective accounts of the purchasers of such Notes. Beneficial interests in a Regulation S Temporary Global Registered Note may only be held through Euroclear or Clearstream (or such other relevant clearing agency as may be specified in the relevant Final Terms) and, except as provided herein, may not be exchanged for a beneficial interest in any other Note. Beneficial interests in a Regulation S Temporary Global Registered Note will be exchanged for beneficial interests in one or more permanent global security certificates in fully registered form without interest coupons (the “**Regulation S Permanent Global Registered Note**” and together with the Regulation S Temporary Global Registered Note, the “**Regulation S Global Notes**”) upon the later of (i) the Release Date (as defined herein) and (ii) the first date subsequent to the Release Date on which the requisite certifications as to non-U.S. beneficial ownership are provided to the Indenture Trustee. The “Release Date” is the date 40 days after the later of (i) the date the relevant Notes were first offered to persons other than Initial Purchasers and (ii) the relevant closing date for such Notes. The Regulation S Permanent Global Registered Note will be registered in the name of the Regulation S Nominee, as nominee for, and deposited with the operator of Euroclear and Clearstream for the respective accounts of the holders of such Notes.

A beneficial interest in a Regulation S Temporary Global Registered Note may be transferred to a person who takes delivery in the form of an interest in the corresponding Rule 144A Global Note only upon receipt by the Indenture Trustee of a written certification from the transferor in the form required by the Indenture to the effect that such transfer is being made to a person whom the transferor reasonably believes is a Qualified Institutional Buyer in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in the corresponding Regulation S Global Note, only upon receipt by the relevant Indenture Trustee of a written certification from the transferor in the form required by the relevant Indenture to the effect that such transfer is being made in accordance with Regulation S. Any beneficial interest in one of the Global Notes that is transferred to a person who takes delivery in the form of an interest in another global Note will, upon transfer, cease to be an interest in such global Note and become an interest in such other global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global Note for as long as it remains such an interest.

Interest payments due on any interest payment date with respect to a Regulation S Temporary Global Registered Note will be made only to the extent that certification as to its beneficial ownership as required by United States Treasury and securities regulations has been received by Euroclear or Clearstream or any other relevant clearing system which may be specified in the relevant Final Terms. Payments of the amounts due in respect of a Regulation S Permanent Global Registered Note will be made through Euroclear or Clearstream or any other relevant clearing system without any requirement for certification; however, see “Taxation” regarding withholding certification requirements for interest payments to Holders of the Notes. After the Release Date, holders of interests in any Regulation S Temporary Global Registered Note shall not be entitled to receive any payment thereunder which falls due on or after the Release Date, or be entitled to exercise any exchange right or other option after such date, unless upon due presentation of such Note for exchange in whole for a Regulation S Permanent Global Registered Note, or for delivery of definitive Registered Notes, such exchange or delivery has been improperly withheld or refused, and such circumstances are continuing as of the relevant payment date.



Subject to applicable law and the terms of the Indenture and the relevant Series Indenture, any Series Trust, the Registrar and any Paying Agent will treat the persons in whose names the global Notes are registered, initially the 144A Nominee and the Regulation S Nominee (collectively, the “**Holders**”), as owners of such Notes for the purpose of receiving payments of principal, premium, if any, and interest on the Notes and for all other purposes whatsoever. Therefore, none of any Series Trust, the Registrar or any Paying Agent has any direct responsibility or liability for the payment of principal of or interest on the Notes to owners of beneficial interests in the global Notes. All payments made by any Series Trust to the registered holders of the global Notes shall discharge the liability of the relevant Series Trust under the Notes to the extent of the sums so paid.

*Notes Sold in Bearer Form Under Regulation S.* Subject to the provisions of the applicable Final Terms, Bearer Notes of each series offered and sold outside the United States in reliance on Regulation S under the Securities Act will initially be issued in the form of a single temporary global Note in bearer form with or without interest coupons (the “**Regulation S Temporary Global Bearer Note**”) deposited with the Common Depositary, as common depositary for Euroclear and/or Clearstream, or other relevant clearing system specified in the relevant Final Terms. Subject to the provisions of the applicable Final Terms, beneficial interests in a Regulation S Temporary Global Bearer Note may only be held through Euroclear or Clearstream or other relevant clearing agency specified in the relevant Final Terms and except as provided herein, may not be exchanged for a beneficial interest in any other Note. Beneficial interests in a Regulation S Temporary Global Bearer Note will be exchanged for beneficial interests in a single Regulation S Permanent Global Bearer Note, with or without interest coupons (the “**Regulation S Permanent Global Bearer Notes**” and together with the with the Regulation S Temporary Global Bearer Note, the “**Regulation S Global Bearer Note**”) upon the later of (i) the Release Date (as defined herein) and (ii) on or after the first date on which the requisite certifications as to non-U.S. ownership are provided to the Indenture Trustee.

In order to meet U.S. federal income tax requirements for the Bearer Notes to be in “registered form” for U.S. federal income tax purposes, a Regulation S Global Bearer Note will be “effectively immobilized.” Under guidance issued by the IRS, a global bearer note is “effectively immobilized” if (1) it is issued to and held by a Euroclear or Clearstream or another clearing organization as defined in U.S. Treasury Regulation section 1.163-5(c)(2)(i)(B)(4) (or by a custodian or depository acting as an agent of the clearing organization) for the benefit of purchasers of interests in the obligation under arrangements that prohibit the transfer of the global securities except to a successor clearing organization subject to the same terms; and (2) beneficial interests in the underlying obligation are transferable only through a book entry system maintained by the clearing organization (or an agent of the clearing organization).

Beneficial interests in a Regulation S Temporary Global Bearer Note may be transferred to a person who takes delivery in the form of an interest in the corresponding Rule 144A Global Note only upon receipt by the Indenture Trustee of a written certification from the transferor in the form required by the relevant Indenture to the effect that such transfer is being made to a person whom the transferor reasonably believes is a Qualified Institutional Buyer in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws in any state of the United States or any other jurisdiction. Beneficial interests in a Rule 144A Global Note, a Regulation S Temporary Global Registered Note, and a Regulation S Permanent Global Registered Note may not be transferred at any time to a person taking delivery in the form of an interest in a Regulation S Global Bearer Note. Any beneficial interest in one of the Regulation S Global Bearer Notes that is transferred to a person who takes delivery in the form of an interest in another global Note will, upon transfer, cease to be an interest in such global Note and become an interest in such other global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in such other global Note for as long as it remains such an interest. Transfers of interest in a Regulation S Global Bearer Note may be made only as specified therein.

Interest payments due on any interest payment date with respect to a Regulation S Temporary Global Bearer Note will be made only to the extent that certification as to its beneficial ownership as required by United States Treasury and securities regulations has been received by Euroclear or Clearstream or any other relevant clearing system which may be specified in the relevant Final Terms. Payments in the amounts due in respect of a Regulation S Permanent Global Bearer Note will be made through Euroclear or Clearstream or any other relevant clearing system without any requirement for certification. After the Release Date, holders of interests in any Regulation S Temporary Global Bearer Note shall not be entitled to receive any payment thereunder which falls due

on or after the Release Date, or be entitled to exercise any exchange right or other option after such date, unless upon due presentation of such Note for exchange in whole for a Regulation S Permanent Global Bearer Note, or for delivery of Registered Notes, such exchange or delivery has been improperly withheld or refused, and such circumstances are continuing as of the relevant payment date.

Interests in a Regulation S Permanent Global Bearer Note will be exchanged, in whole but not in part, for Registered Notes at the request of the holders of interests in such global Note only if such exchange is permitted by applicable law and if (i) Euroclear or Clearstream or any other relevant clearing system specified in the relevant Final Terms is closed for business for a continuous period of 14 days (other than by reason of legal holidays) (ii) Euroclear or Clearstream or any other relevant clearing system specified in the relevant Final Terms announces an intention permanently to cease business or in fact has done so and no alternative clearance system approved by the Noteholders is available or (iii) to the extent provided in a relevant Final Terms, at any time upon request of any such holder. Whenever a Regulation S Permanent Global Bearer Note is to be exchanged for Registered Notes, the Series Trust is to arrange for the prompt delivery of such Registered Notes, duly authenticated and where applicable in the case of Bearer Notes, with receipts, coupons and talons attached, in an aggregate principal amount equal to the principal amount of such Regulation S Permanent Global Bearer Note to the holder of the Regulation S Permanent Global Bearer Note against its surrender at the specified office of the applicable Paying Agent within 30 days of the holders requesting such exchange.

The following legend will also appear on any global Notes in bearer form and any related coupons:

**ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.**

### *The Clearing Systems*

The clearing systems have advised each Series Trust as follows:

**DTC.** DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the United States Securities Exchange Act of 1934, as amended (the “**Exchange Act**”). DTC was created to hold securities for DTC Participants (each, a “**DTC Participant**”) and to facilitate the clearance and settlement of transactions between DTC Participants through electronic book-entry changes in accounts of DTC Participants, thereby eliminating the need for physical movement of certificates. DTC Participants include certain of the underwriters, securities brokers and dealers, banks, trust companies and clearing corporations and may in the future include certain other organizations. Indirect access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (“**Indirect DTC Participant**”).

Transfers of ownership or other interests in the Notes in DTC may be made only through DTC Participants. Indirect DTC Participants are required to effect transfers through a DTC Participant. In addition, beneficial owners of the Notes in DTC will receive all distributions of principal of and interest on the Notes through such DTC Participant.

Because DTC can only act on behalf of DTC Participants, who in turn act on behalf of Indirect DTC Participants, and, because owners of beneficial interests in the Notes holding through DTC will hold interests in the Notes through DTC Participants or Indirect DTC Participants, the ability of such owners of beneficial interests to pledge the Notes to persons or entities that do not participate in DTC, or otherwise take actions with respect to such Notes, may be limited.

Ownership of interests in the Rule 144A Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC, the DTC Participants and the Indirect DTC Participants. The

laws of some jurisdictions require that certain persons take physical delivery in definitive form of securities which they own. Consequently, the ability to transfer beneficial interests in the Rule 144A Note is limited to such context.

*Clearstream.* Clearstream is incorporated under the laws of Luxembourg as a professional depository. Clearstream holds securities for Clearstream Participants (each, a “**Clearstream Participant**”) and facilitates the clearance and settlement of securities transactions between Clearstream Participants through electronic book-entry changes in accounts of Clearstream Participants, thereby eliminating the need for physical movement of certificates. Clearstream provides to Clearstream Participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream interfaces with domestic markets in several countries. As a professional depository, Clearstream is subject to regulation by the Banque Centrale. Clearstream Participants are recognized financial institutions around the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations and may include the Initial Purchasers. Indirect access to Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Clearstream Participant either directly or indirectly.

Distributions with respect to the Notes held beneficially through Clearstream will be credited to cash accounts of Clearstream Participants in accordance with its rules and procedures, to the extent received by Clearstream.

*Euroclear.* Euroclear was created in 1968 to hold securities for Euroclear Participants and to clear and settle transactions between Euroclear Participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Euroclear includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries. Euroclear Participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries and may include the Initial Purchasers. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear Participant, either directly or indirectly.

#### ***Euroclear, Clearstream and DTC Arrangements***

So long as DTC or its nominee or Euroclear, Clearstream or the nominee of their common depository is the registered holder of the global Notes, DTC, Euroclear, Clearstream or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Notes for all purposes under the applicable Indenture and the Notes. Payments of principal, interest and additional amounts, if any, in respect of the Global Notes will be made to DTC, Euroclear, Clearstream or such nominee, as the case may be, as the registered holder thereof. None of any Series Trust, any Initial Purchaser or any affiliate of any of the above or any person by whom any of the above is controlled (as such term is defined in the Securities Act) will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of principal and interest with respect to global interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by Euroclear or Clearstream from the relevant Paying Agent, to the cash accounts of Euroclear or Clearstream customers in accordance with the relevant system’s rules and procedures.

Holders of global interests in the Notes through DTC will receive, to the extent received by DTC from the relevant Paying Agent, all distributions of principal and interest with respect to global interests in the Notes from the relevant Paying Agent through DTC. Distributions in the United States will be subject to relevant U.S. tax laws and regulations.

Interest on the Notes (other than interest on redemption) will be paid to the holder shown on the register on the Record Date. Trading between the Rule 144A Global Note and the Regulation S Global Note will therefore be net of accrued interest from the Record Date to the relevant Interest Payment Date.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in the Global Notes to such persons will be limited. Because DTC, Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in the Global Notes to pledge such interest to persons or entities which do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of global interests in the Notes through Euroclear, Clearstream and DTC will be reflected in the global accounts of each such institution. As necessary, the Registrar will adjust the amounts of the Notes on the register for the accounts of (i) the Regulation S Nominee and (ii) the 144A Nominee to reflect the amounts of the Notes held through Euroclear and Clearstream, and DTC, respectively.

Beneficial ownership of the Notes will be held through financial institutions as direct and indirect participants in Euroclear, Clearstream and DTC.

Interests in the Global Notes will be in uncertificated global form.

### ***Secondary Market Trading in Relation to Registered Global Notes***

*Trading between Euroclear and/or Clearstream Participants.* Secondary market sales of global interests in the Notes held through Euroclear or Clearstream to purchasers of global interests in the Notes through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream and will be settled using the procedures applicable to conventional Euro Notes.

*Trading between DTC Participants.* Secondary market sales of global interests in the Notes between DTC Participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations if payment is effected in U.S. dollars, or free of payment if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC Participants.

*Trading between DTC Seller and Euroclear/Clearstream Purchaser.* When global interests in the Notes are to be transferred from the account of a DTC Participant holding a beneficial interest in a Rule 144A Global Note to the account of a Euroclear or Clearstream accountholder wishing to purchase a beneficial interest in a Regulation S Global Note (subject to the certification procedures provided in the relevant Indenture), the DTC Participant will deliver instructions for delivery to the relevant Euroclear or Clearstream accountholder to DTC by 12:00 noon, New York City time, on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear or Clearstream accountholder. On the settlement date, the Custodian will instruct the Registrar to (i) decrease the amount of Notes registered in the name of the 144A Nominee and evidenced by the Rule 144A Global Note and (ii) increase the amount of Notes registered in the name of the nominee (being the Regulation S Nominee) of the common depositary for Euroclear and Clearstream and evidenced by the Regulation S Global Note. Global interests will be delivered free of payment to Euroclear or Clearstream, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date but for value on the settlement date.

*Trading between Euroclear/Clearstream Seller and DTC Purchaser.* When global interests in the Notes are to be transferred from the account of a Euroclear or Clearstream accountholder to the account of a DTC Participant wishing to purchase a beneficial interest in the Rule 144A Global Note (subject to the certification procedures provided in the relevant Indenture), the Euroclear or Clearstream participant must send to Euroclear or Clearstream delivery free of payment instructions by 7:45 p.m., Luxembourg/Brussels time as the case may be, one business day prior to the settlement date. Euroclear or Clearstream, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream and the Registrar to arrange delivery to the DTC Participant on the settlement date. Separate payment arrangements are required to be made between the DTC Participant and the relevant Euroclear and Clearstream accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream will (a) transmit appropriate instructions to the Custodian who will in turn deliver such global interests in the Notes free of payment to the relevant account of the DTC Participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the

nominee (being the Regulation S Nominee of the common depositary for Euroclear and Clearstream and evidenced by the Regulation S Global Note and (ii) increase the amount of Notes registered in the name of the 144A Nominee and evidenced by the Rule 144A Global Note.

Although the foregoing sets out the procedures of Euroclear, Clearstream and DTC in order to facilitate the transfers of interests in the Notes among participants of DTC, Clearstream and Euroclear, none of Euroclear, Clearstream or DTC is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. Neither any Series Trust, any Initial Purchaser, any Registrar, any Administrative Trustee, any Indenture Trustee, any Paying Agent, or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by DTC, Euroclear and Clearstream or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

So long as the Regulation S Global Note is held on behalf of Euroclear and Clearstream or any other clearing system (an “**Alternative Clearing System**”), notices to holders of the Notes represented by a beneficial interest in the Regulation S Global Note may be given by delivery of the relevant notice to Euroclear, Clearstream or the Alternative Clearing System, as the case may be, and so long as the Rule 144A Global Note is held on behalf of DTC or an Alternative Clearing System, notices to holders of the Notes represented by a beneficial interest in the Rule 144A Global Note may be given by delivery of the relevant notice to DTC or the Alternative Clearing System, as the case may be, except that, so long as the Notes are admitted to trading on the regulated market of the Irish Stock Exchange and the guidelines of the Irish Stock Exchange so require, notices will also be published in a leading newspaper having general circulation in Ireland (which is expected to be the *Irish Times*) or, if such publication is not practicable, in an English language newspaper having general circulation in Europe.

Owners of beneficial interests in Global Registered Notes will be entitled to have Definitive Notes registered in their names only if permitted by applicable law and (i) DTC (or other relevant clearing system specified in the relevant Final Terms) notifies the Series Trust in writing that such clearing system is unwilling or unable to continue as depositary for such Global Note or ceases to be a “clearing agency” registered under the Exchange Act and a qualifying successor depositary is not appointed within 90 days thereof, (ii) the Series Trust is notified that either Euroclear or Clearstream (or other relevant clearing system specified in the relevant Final Terms) has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) after the original issuance of the Notes or (iii) Euroclear or Clearstream (or other relevant clearing system specified in the relevant Final Terms) has announced an intention permanently to cease business or has in fact done so and no alternative clearance system approved by the Noteholders is available.

## DESCRIPTION OF THE INDENTURE

### General

Each series of Notes will be issued under, subject to and entitled to the benefits of a separate Series Indenture by and between the relevant Series Trust and the Indenture Trustee. Each Series Indenture will incorporate the Indenture which shall provide the terms which govern each separate Series Indenture thereunder, unless any such Series Indenture specifies otherwise. The Notes issued under a Series Indenture will constitute a single series, together with any Notes issued in the future under such Series Indenture that are designated by the Series Trust as being part of such series.

### Pledged Estate

Pursuant to the Indenture, under each Series Indenture, each series of Notes will be secured by a “**Pledged Estate**” which will consist of

- (i) the relevant Funding Agreements,
- (ii) all proceeds of the relevant Funding Agreements, and
- (iii) all rights of the relevant Series Trust pertaining to the foregoing.

### Covenants

Pursuant to the Indenture, the relevant Series Trust will make certain covenants regarding payment of principal and interest, maintenance of offices or agencies, money for Note payments to be held in trust, protection of the relevant Pledged Estate, delivery of an opinion and annual statement as to compliance, performance of obligations, existence, reports, financial information regarding the Notes, notices of defaults and payment of taxes and other claims. Among other covenants contained in the Indenture, each Series Trust will agree that it will not, so long as any Notes issued by it are outstanding, without the consent of the Indenture Trustee except as permitted by the Indenture or the relevant Series Indenture:

- (i) sell, transfer, exchange, assign, lease, convey or otherwise dispose of any of its assets (owned as of the date of the relevant Series Indenture or thereafter acquired), including, without limitation, any portion of the relevant Pledged Estate, except as expressly permitted by the Indenture or the relevant Series Indenture;
- (ii) engage in any business or activity other than in connection with, or relating to, the execution and delivery and performance of the Master Trust Agreement, relevant Series Trust Agreement, the relevant Funding Agreement, the transactions contemplated thereby and the issuance of the Notes issued by such Series Trust;
- (iii) incur or otherwise become liable, directly or indirectly, for any Indebtedness or Contingent Obligation (as defined in the Indenture) except for the Notes issued by such Series Trust and the transactions contemplated thereby;
- (iv) make any deduction or withholding from the principal of or interest on any Series of Notes (other than amounts that may be required to be withheld from such payments under the Code or any other applicable tax law) by reason of the payment of any taxes levied or assessed upon any portion of any relevant Pledged Estate except to the extent specified in the Indenture, the relevant Series Indenture or the applicable Final Terms;
- (v) (a) permit the validity or effectiveness of the Indenture, relevant Series Indenture or any security interest in or assignment for collateral purposes of the relevant Pledged Estate to be impaired, or permit a Lien (as defined in the Indenture) arising under the Indenture and/or the relevant Series

Indenture (the “**Lien of the Indenture**”) to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person (as defined in the Indenture) to be released from any covenants or obligations under the relevant Funding Agreement, except as may be expressly permitted by the Indenture, relevant Series Indenture or Funding Agreement, (b) create, incur or assume any Lien or other encumbrance (other than the Lien of the Indenture and relevant Series Indenture) on any of its properties or assets owned as of the date of the relevant Series Indenture or thereafter acquired, or any interest therein or the proceeds thereof, or (c) permit the Lien of the Indenture or the relevant Series Indenture not to constitute a valid first priority security interest in the relevant Pledged Estate;

- (vi) amend, modify or fail to comply with any material provision of the Master Trust Agreement or the relevant Series Trust Agreement;
- (vii) own any subsidiary or lend or advance any moneys to, or make any investment in, any Person, except for the investment of any funds of such Series Trust held by the Indenture Trustee or a Paying Agent as provided in the Indenture;
- (viii) directly or indirectly make any distribution or other payment on its beneficial interests, redeem or otherwise acquire or retire for value any of its beneficial interests, provided that such Series Trust may declare or pay a distribution on its Beneficial Interest Certificate if all amounts due to be paid on the Notes issued by such Series Trust prior to the next scheduled payment under the relevant Funding Agreement have been paid;
- (ix) exercise any rights to foreclose or realize on its security interest in or assignment for collateral purposes of the relevant Pledged Estate except at the direction of, or with the prior written approval of, the Indenture Trustee;
- (x) cause or permit the sale or other transfer of, or the creation, incidence, assumption or existence of any Lien on, all or a portion of the relevant Beneficial Interest Certificate;
- (xi) become required to register as an “investment company” under, or become under the “control” of an “investment company,” as such terms are defined in the Investment Company Act of 1940, as amended;
- (xii) enter into any transaction of merger or consolidation or liquidate or dissolve itself (or suffer any liquidation or dissolution), or acquire by purchase or otherwise all or substantially all of the business or assets of, or any stock or other evidence of beneficial ownership of, any Person;
- (xiii) have any employees other than the Administrative Trustee or any other trustees necessary to conduct its business and enter into transactions contemplated under the Indenture, the Master Trust Agreement, the relevant Series Indenture and the relevant Series Trust Agreement;
- (xiv) have an interest in any bank account other than (1) the relevant Collection Account (as defined in the Indenture), (2) the Payment Account (as defined in the Master Trust Agreement) and (3) those accounts expressly permitted by the Indenture Trustee; provided that any such further accounts or such Series Trust’s interest therein shall be charged or otherwise secured in favor of the Indenture Trustee on terms acceptable to such Indenture Trustee;
- (xv) take any action that would cause it not to be either ignored or a grantor trust for U.S. federal income tax purposes;
- (xvi) permit any Affiliate, employee or officer of Jackson or any Initial Purchaser to be a trustee of such Series Trust;

- (xvii) issue Notes under the Indenture and relevant Series Indenture unless (A) such Series Trust has purchased or will simultaneously purchase the relevant Funding Agreement from Jackson, (B) Jackson has affirmed in writing to such Series Trust that it has made or simultaneously will make changes to its books and records to reflect the granting of a security interest in, and the making of an assignment for collateral purposes of, the relevant Funding Agreement to the Indenture Trustee, and (C) such Series Trust has taken such other steps as may be necessary to cause the Indenture Trustee's security interest in or assignment for collateral purposes of the relevant Pledged Estate to be perfected for purposes of the UCC or effective against such Series Trust's creditors and subsequent purchasers of such Pledged Estate pursuant to insurance or other state law;
- (xviii) commingle its assets with assets of any of its affiliates (including any Series Trust), or guarantee any obligation of any of its affiliates (including any Series Trust); or
- (xix) maintain any joint account with any Person or be a party whether as co-obligor or otherwise, to any agreement to which any Person is a party, or become liable as a guarantor or otherwise with respect to any indebtedness or contractual obligation of any Person.

## Events of Default

The following will be Events of Default under the Notes issued by a Series Trust:

- (i) failure to pay any interest on any Note of such Series Trust within five Business Days after such interest becomes due and payable;
- (ii) failure to pay the principal of any Note of such Series Trust within one Business Day after the maturity;
- (iii) any "**Event of Default**" (as defined in the relevant Funding Agreement) by Jackson;
- (iv) default in the performance, or breach, of any one or more of the other covenants of the relevant Series Trust in the Indenture or relevant Series Indenture (other than a covenant a default in whose performance or whose breach is elsewhere in this section specifically dealt with), and continuance of such default or breach for a period of 60 days after there shall have been given notice thereof to such Series Trust by the Indenture Trustee or to such Series Trust and the Indenture Trustee by the holders of the Notes representing at least 25% of the aggregate principal amount of the outstanding Notes of such Series Trust, which notice shall specify such default or breach and require it to be remedied and which notice shall state that it is a "Notice of Default;" *provided* that the Indenture Trustee may, without the consent of the holders of the Notes of such Series Trust and without prejudice to its rights in respect of any subsequent breach, from time to time and at any time, if in its opinion the interests of the holders of the Notes of such Series Trust will not be materially prejudiced thereby, waive or authorize, on such terms as seem expedient to it, any breach by the relevant Series Trust; *provided, further*, that the Indenture Trustee shall not so waive or authorize any breach in contravention of any express notice given by the holders of the Notes representing at least 25% of the aggregate principal amount of the outstanding Notes of such Series Trust; *provided, still further*, that no such express notice shall affect any previous waiver or authorization and any such waiver or authorization shall be binding on the holders of the Notes of such Series Trust, and if the Indenture Trustee deems appropriate, such waiver or authorization shall be provided to the holders of the Notes of such Series Trust as soon as practicable;
- (v) the Indenture or relevant Series Indenture for any reason shall cease to be in full force and effect (other than in accordance with its terms) or shall be declared null and void, or the Indenture Trustee shall cease to have a valid and perfected security interest subject to no prior liens or security interests in the relevant Pledged Estate and proceeds thereof except as expressly permitted by the Indenture; or any Person shall successfully claim as finally determined by a court of competent jurisdiction (1) that any material provision of the Indenture or relevant Series Indenture



is void or unenforceable, or (2) that any of the liens granted to the Indenture Trustee with respect to any of the relevant Pledged Estate is void or that the enforcement thereof or any other recourse by the Indenture Trustee against any of such Pledged Estate is materially limited because of any preference, fraudulent transfer or similar law;

- (vi) (1) a court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Trust or the relevant Series Trust in an involuntary case under any applicable bankruptcy, insolvency or other similar law of the State of Delaware or any other applicable jurisdiction, which decree or order is not stayed; or any other similar relief shall be granted under any applicable law; or (2) an involuntary case shall be commenced against the Trust or the relevant Series Trust under any applicable bankruptcy, insolvency or other similar law of the State of Delaware or any other applicable jurisdiction; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over Trust or the Series Trust, or over all or a substantial part of its property, shall have been entered; or there shall have occurred the involuntary appointment of an interim receiver, trustee or other custodian of Trust or the Series Trust for all or a substantial part of its property; or a court having jurisdiction in the premises shall enter a decree or order declaring the dissolution of Trust or the Series Trust; or a warrant of attachment, execution or similar process shall have been issued against any substantial part of the property of Trust or the Series Trust and any such event described in this clause (2) shall continue for 60 days unless dismissed, bonded or discharged; or
- (vii) (1) the Trust or the relevant Series Trust shall have an order for relief entered with respect to it or shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law of the State of Delaware or any other applicable jurisdiction, or shall consent to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or shall consent to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its property; or Trust or the Series Trust shall make any assignment for the benefit of creditors; or (2) Trust or the Series Trust shall fail or be unable, or admit in writing its inability, to pay its debts as such debts become due; or the Administrative Trustee of Trust or the Series Trust shall adopt any resolution or otherwise authorize any action to approve or for the purpose of effecting any of the actions referred to in this paragraph (vii).

Whenever an Event of Default specified in clause (iv) or (v) above shall have occurred and be continuing, the Indenture Trustee or holders of more than 25% in aggregate principal amount of the outstanding Notes of such Series Trust may, by written notice to such Series Trust and the Indenture Trustee, declare the principal of and all accrued and unpaid interest and other amounts payable on the Notes of such Series Trust to be due and payable and such amounts shall become due and payable on the date the written declaration is received by or on behalf of the relevant Series Trust. This provision, however, is subject to the condition that if, at any time after the principal of the Notes of such Series Trust shall have been so declared due and payable, and before any judgment or decree for the payment of the monies due shall have been obtained or entered, the holder or holders of at least 66 2/3 % in aggregate principal amount of the Notes of such Series Trust then outstanding by written notice to the relevant Series Trust and the Indenture Trustee may rescind and annul such declaration and its consequences, subject to certain conditions, but no such rescission and annulment shall affect any subsequent default or shall impair any right consequent thereon. If an Event of Default specified in clause (i), (ii), (iii), (vi) or (vii) above occurs, the principal of and accrued interest on the Notes of such series will be immediately due and payable without any declaration or other act on the part of any relevant Series Trust, Indenture Trustee or holder of any Note. Nothing in the Notes issued by any Series Trust will prevent any relevant Noteholder from enforcing (by the institution of legal action against the relevant Series Trust or otherwise) its right to receive payment of the principal of and interest on such Notes, or any other amount payable under such Notes or the relevant Indenture, when and to the extent such payments become due, provided that any Person holding a security entitlement with respect to any Note issued by any Series Trust through an account with a securities intermediary shall be subject to the laws and contractual provisions referred to under “Description of the Notes — Global Notes” above or in the relevant Indenture.

## **Application of Money Collected Under the Indenture**

Following an Event of Default under the Indenture, any supplements thereto or the relevant Funding Agreement, any moneys that may then be held or thereafter received by the Indenture Trustee as security with respect to the Notes of a Series shall be held in the relevant Collection Account and be applied in the following order, at the date or dates fixed by the Indenture Trustee and, in case of the distribution on account of principal or interest, upon presentation of the Notes, or both, and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

*first*, to the payment of the reasonable and customary expenses and counsel fees incurred by the Indenture Trustee in connection with the performance of its fiduciary obligations to the Noteholders, in an aggregate amount of no more than \$500,000 for all Series of Notes outstanding;

*second*, to the payment of the amounts then due and unpaid upon the Notes of the relevant Series for principal and interest and all other amounts in respect of which or for the benefit of which such amount has been collected, ratably, without preference or priority of any kind, according to the aggregate amounts due and payable on such Notes for principal and interest and all such other amounts, respectively;

*third*, to the payment of any other Secured Obligations (as defined in the Indenture), ratably, without preference or priority of any kind, according to the aggregate amounts due and payable on such obligations, respectively; and

*fourth*, any remaining balance shall be paid to the relevant Series Trust, its successors or assigns or to whomever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may determine.

If no Event of Default exists, the following priority of payments shall apply:

*first*, to the payment of the amounts then due and unpaid upon the Notes of the relevant Series for principal and interest and all other amounts in respect of which or for the benefit of which such amount has been collected, ratably, without preference or priority of any kind, according to the aggregate amounts due and payable on such Notes for principal and interest and all such other amounts, respectively;

*second*, to the payment of any other Secured Obligations, ratably, without preference or priority of any kind, according to the aggregate amounts due and payable on such obligations, respectively; and

*third*, any remaining balance shall be paid to the relevant Series Trust, its successors or assigns or to whomever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may determine.

Except as expressly set forth in the Indenture, none of the Indenture Trustee, Paying Agents or any successor Indenture Trustee, Paying Agents or Registrar thereto or any of their employees, officers, directors, affiliates or agents shall have any claim or rights of any nature in or to the relevant Pledged Estate, whether as a result of set-off, banker's lien or otherwise.

## **Certain Rights of Holders**

The holder or holders of the Notes representing at least 66 2/3% of the aggregate principal amount of the Notes of any Series Trust have the right under the Indenture to direct the time, method and place of conducting any proceedings for any remedy available to the Indenture Trustee or exercising any trust or power conferred on the Indenture Trustee with respect to the Notes of such Series Trust and the Pledged Estate appertaining thereto, subject to certain conditions set forth in the Indenture and the relevant Series Indenture.

No holder of a Note shall have any right to institute any proceedings, judicial or otherwise, with respect to the Indenture, the Series Indenture or any agreement or instrument included in the relevant Pledged Estate or for the appointment of a receiver or trustee, unless:

- (i) such holder has previously given written notice to the Indenture Trustee of a continuing Event of Default;
- (ii) the holder or holders of the Notes representing not less than 25% of the aggregate principal amount of the outstanding Notes of such Series Trust shall have made written request to the Indenture Trustee to institute proceedings in respect of such Event of Default in its own name as the Indenture Trustee;
- (iii) such holder or holders have offered to the Indenture Trustee indemnity or security satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;
- (iv) the Indenture Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- (v) no direction inconsistent with such written request has been given to the Indenture Trustee during such 60-day period by the holder or holders of the Notes representing at least 66 2/3% of the aggregate principal amount of the outstanding Notes of such Series Trust;

it being understood and intended that no holder or holders of the Notes shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture or relevant Series Indenture to affect, disturb or prejudice the rights of any other holder of any Note of the relevant Series Trust or to obtain or to seek to obtain priority or preference over any other holder of any Note of the relevant Series Trust or to enforce any right under the Indenture and relevant Series Indenture, except in the manner therein provided and for the equal and ratable benefit of all the holders of the Notes of the relevant Series Trust.

### **Meetings**

A meeting of holders of the Notes of any series may be called at any time and from time to time pursuant to the Indenture and relevant Series Indenture to make, give or take any request, demand, authorization, direction, notice, consent, waiver or other action provided by such Indenture to be made, given or taken by each holder of the Notes of such Series Trust.

The Indenture Trustee may at any time call a meeting of holders of the Notes of the relevant series for any purpose specified above to be held at such time and at such place in the City of New York or such other place as the Indenture Trustee will determine. Notice of every meeting of holders of the Notes, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, will be given, in the manner provided under the heading “Miscellaneous” below, not less than 21 nor more than 180 days prior to the date fixed for the meeting.

Any resolution passed or decision taken at any meeting of Noteholders duly held in accordance with the Indenture and relevant Series Indenture will be binding on all holders of the Notes of such Series Trust, whether or not such holders were present or represented at the meeting.

### **Nonrecourse Enforcement**

Notwithstanding anything to the contrary contained in the Indenture or the relevant Series Indenture or the Notes, other than as described below, none of Jackson, its officers, directors, affiliates, employees or agents or any of the Administrative Trustee or the Depositor or the Beneficial Interest Certificate owner of any Series Trust or any of their officers, directors, affiliates, employees or agents (the “**Nonrecourse Parties**”) will be personally liable for the payment of any principal, interest or any other sums at any time owing under the terms of the Notes. If any Event of Default shall occur with respect to any Notes of any Series Trust, the right of the holder or holders of the Notes of such Series Trust and the Indenture Trustee on behalf of such holder or holders in connection with a claim on such Notes will be limited solely to a proceeding against the relevant Pledged Estate. Neither such holders nor the Indenture Trustee on behalf of such holders will have the right to proceed against the Nonrecourse Parties or any other Series Trust to enforce the Notes (except that to the extent they exercise their rights, if any, to seize the

Funding Agreement, they may enforce the Funding Agreement against Jackson) or for any deficiency judgment remaining after foreclosure of any property included in the Pledged Estate. However, this will not in any manner or way constitute or be deemed a release of the debt or other obligations evidenced by the Notes or otherwise affect or impair the enforceability against the Series Trust of the liens, assignments, rights and security interests created by the Indenture, the relevant Series Indenture, the Pledged Estate or any other instrument or agreement evidencing, securing or relating to the indebtedness or the obligations evidenced by the Notes. The holders of the Notes are not precluded from foreclosing upon any property included in the Pledged Estate or from any other rights or remedies in law or in equity against the relevant Series Trust.

## **Modifications and Amendments**

*Modifications and Amendments without Noteholder Consent.* The relevant Series Trust may enter into an agreement or agreements supplemental to the Indenture and the relevant Series Indenture at any time, and without the consent of any Noteholder or any Person holding a security entitlement in respect of the Notes of the relevant Series Trust through an account with a securities intermediary, for the purpose of:

- (i) conveying, transferring, assigning, mortgaging or pledging to the Indenture Trustee, as security for the Notes of such Series Trust, any property or assets in addition to the relevant Pledged Estate (provided such action does not adversely affect the Series Trust's status as either ignored or a grantor trust for U.S. federal income tax purposes);
- (ii) curing any ambiguity or correcting or supplementing any provision contained in such Indenture, the relevant Series Indenture, the Notes of the relevant Series Trust or any supplemental agreement which may be defective or inconsistent with any other provision contained in such Indenture, such relevant Series Indenture, such Notes, the relevant Funding Agreement or any supplemental agreement, or making such other provisions in regard to matters or questions arising under the Indenture which shall not adversely affect the interests of any Noteholder of such Series Trust in any material respect;
- (iii) evidencing and providing for the acceptance of appointment under the Indenture and such relevant Series Indenture of a successor Indenture Trustee with respect to the Notes of such Series Trust;
- (iv) evidencing the succession of another Person (as defined in the Indenture) to the Trust or a Series Trust, and the assumption by any such successor of the covenants of the Trust therein, in the Notes;
- (v) adding to the covenants of the Trust or the Indenture Trustee for the benefit of the Holders of all or any Series of Notes or Coupons (and if such covenants are to be to the benefit of less than all Series of Notes or Coupons, stating that such covenants are expressly being solely for the benefit of such Series) or to surrender any right or power conferred in the Indenture upon the relevant Series Trust;
- (vi) adding any additional Events of Default to the Indenture;
- (vii) adding to or changing any of the provisions of this Indenture to provide that Bearer Notes may be registered as to principal, to eliminate any restrictions on the payment of principal of, any premium or interest on or any Additional Amounts (as defined in the Indenture) with respect to the Notes, permitting Bearer Notes to be exchanged for Bearer Notes of other authorized denominations or permitting or facilitating the issuance of the Notes in uncertificated form, provided any such action shall not adversely affect the interests of the Holders of the Notes of any Series or any Coupons appertaining thereto in any material respect;
- (viii) changing or eliminating any of the provisions of this Indenture; *provided, however*, that any such change or elimination shall become effective only when there is no Note Outstanding (as defined

in the Indenture) of any Series created prior to the execution of such supplemental indenture which is entitled to the benefit of or bound by such provision; or

- (ix) securing all or any Series of Notes.

*Modifications and Amendments with Noteholder Consent.* The relevant Series Trust and the Indenture Trustee may enter into an agreement or agreements supplemental to the Indenture or the relevant Series Indenture for the purpose of making any amendment or modification to the Notes of such Series Trust or the Indenture or the relevant Series Indenture or modifying in any manner the rights of any Noteholder of such Series Trust with the consent of the Noteholder or Noteholders representing at least a majority in aggregate principal amount of the Notes of such Series Trust at the time outstanding, provided that no such modification, amendment or waiver may, without the affirmative consent or affirmative vote of the Holder of each Note of such Series Trust affected thereby:

- (i) change the stated maturity of the principal of or any installment of interest on any Note of such Series Trust;
- (ii) reduce the principal amount of or interest on any Note of such Series Trust;
- (iii) change any place of payment where, or the coin or currency in which the principal of or interest on, any Note of such Series Trust is payable;
- (iv) impair the right of any Noteholder of such Series Trust to institute suit for the enforcement of any payment on or with respect to the Notes of such Series Trust;
- (v) reduce the percentage of the aggregate principal amount of the outstanding Notes of such Series Trust the consent of the holders of which is required for any supplemental indenture, or the consent of the holders of which is required for any waiver of compliance with provisions of the Indenture or relevant Series Indenture or defaults thereunder and their consequences provided for in the Indenture or relevant Series Indenture;
- (vi) modify any of the provisions of the Indenture or relevant Series Indenture respecting modifications and amendments, except to increase any percentage specified therein or to provide that additional provisions thereof cannot be modified or waived without the consent of the holder of each outstanding Note affected thereby;
- (vii) modify or alter the provisions of the Indenture's definition of the term "Outstanding" which require that the Notes owned by the relevant Series Trust or any affiliate thereof be disregarded for purposes of such definition;
- (viii) modify or affect in any manner adverse to the interest of any holder of the Notes of the relevant Series Trust the terms and conditions of the obligations of such Series Trust regarding the due and punctual payment of the principal of, interest on or any other amounts due with respect to the Notes of such Series Trust; or
- (ix) permit the creation of any Lien ranking prior to or on a parity with the Lien of such Indenture or relevant Series Indenture with respect to any part of the relevant Pledged Estate or terminate the Lien of such Indenture or relevant Series Indenture on any property held for the benefit and security of holders of the Notes of such Series Trust or deprive the holder of any Note of such Series Trust of the security afforded by the Lien of such Indenture or relevant Series Indenture.

#### **Indenture Trustee**

Under the Indenture and each relevant Series Indenture, and subject to the terms, conditions and limitations set forth therein, if an Event of Default has occurred and is continuing thereunder, the Indenture Trustee is obligated to exercise such of the rights and powers vested in it by such Indenture and each relevant Series Indenture, and use

the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of its own affairs.

Except during the continuance of an Event of Default under the Indenture or a relevant Series Indenture, the Indenture Trustee need perform only those duties that are specifically set forth in the Indenture and the relevant Series Indenture and no others, and no implied covenants or obligations of the Indenture Trustee will be read into the Indenture or any such relevant Series Indenture. In addition, in the absence of bad faith on its part, the Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Indenture Trustee and conforming to the requirements of the Indenture and the relevant Series Indenture unless a Responsible Officer (as defined in the Indenture) of the Indenture Trustee has actual knowledge that such statements or opinions are false. The Indenture Trustee will examine such certificates and opinions to determine whether they conform to the requirements of the Indenture and the relevant Series Indenture.

No provision of the Indenture or any relevant Series Indenture will be construed to relieve the Indenture Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that: (a) this paragraph does not limit the effect of the immediately preceding paragraph; (b) the Indenture Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer (as defined in the Indenture), unless it is proved that the Indenture Trustee was negligent in ascertaining the pertinent facts; (c) the Indenture Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction of the holder or holders representing at least 66 2/3% of the aggregate principal amount of the outstanding Notes of the relevant Series Trust relating to the time, method and place of conducting any proceeding for any remedy available to the Indenture Trustee, or exercising any trust or power conferred upon the Indenture Trustee, under such Indenture with respect to the Notes of such Series Trust; and (d) no provision of the Indenture or any relevant Series Indenture will require the Indenture Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties thereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

The Indenture Trustee may resign at any time with respect to the Notes of a Series Trust by giving not less than 90 days prior written notice thereof to the relevant Series Trust. If an instrument of acceptance by a successor Indenture Trustee shall not have been delivered to the Indenture Trustee within 30 days after the giving of such notice of resignation, the resigning Indenture Trustee may petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee with respect to the Notes of such Series Trust.

The Indenture Trustee may be removed at any time by the holder or holders representing at least 66 2/3% of the aggregate principal amount of outstanding Notes of each relevant Series Trust, delivered to the Indenture Trustee and the relevant Series Trust.

If at any time the Indenture Trustee shall cease to be eligible to serve as Indenture Trustee under the requirements of any relevant Indenture or shall become incapable of acting or shall be adjudged as bankrupt or insolvent, or a receiver of the Indenture Trustee or of its property shall be appointed, or any public officer shall take charge or control of the Indenture Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, (i) the Trust (except during the existence of an Event of Default) by a Series Trust Order (as defined in the Indenture) may remove the Indenture Trustee, or (ii) subject to certain obligation to pay costs of suit, any Noteholder who has been a bona fide holder of a Note of the relevant Series Trust for at least six months may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Indenture Trustee and the appointment of a successor Indenture Trustee under the Indenture and any relevant Series Indenture.

If the Indenture Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Indenture Trustee for any reason, a successor Indenture Trustee shall be appointed by act of the holder or holders of the Notes of the Series Trusts representing at least 66 2/3% of the aggregate principal amount of the outstanding Notes of Series Trusts delivered to the Trust and the retiring Indenture Trustee, and the successor Indenture Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Indenture Trustee and to that extent supersede the successor Indenture Trustee appointed by the Trust. If no

successor Indenture Trustee with respect to the Trust shall have been so appointed by the holder or holders of the Notes of the Series Trusts and shall have accepted appointment in the manner herein provided, any holder who has been a bona fide holder of a Note of a Series Trust for at least six months may (subject to Section 6.14 of the Indenture), on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee.

## **Miscellaneous**

*Notices.* All notices shall be deemed to have been given upon (i) the mailing by first class mail, postage prepaid, of such notices to each holder of the Registered Notes of any Series Trust at their registered addresses as recorded in the register of Notes for such Series Trust, (ii) publication in a leading daily newspaper having general circulation in London (expected to be the *Financial Times*) for holders of Bearer Notes, and (iii) so long as the Notes of a Series Trust are admitted to trading on the regulated market of the Irish Stock Exchange and it is required by the guidelines of the Irish Stock Exchange, publication of such notice to each holder of the Notes of such Series Trust in English in a leading newspaper having general circulation in Ireland (which is expected to be the *Irish Times*) or, if such publication is not practicable, in one other leading English language daily newspaper with general circulation in Europe, such newspaper being published on each business day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions.

As long as any Notes of a Series Trust represented by a Global Note are deposited in DTC, Euroclear, Clearstream or such other clearing system, notices to all holders of the Notes of such Series Trust may, if so permitted by the guidelines of the Irish Stock Exchange (or such other exchange on which the Notes of such Series Trust may then be listed), be given by delivery of the relevant notice to DTC, Euroclear or Clearstream or other relevant clearing agency for communication by it to its accountholders or by delivery of the relevant notice to the holder or holders of any global certificate. Any such notices will also be published in a leading daily newspaper having general circulation in Ireland (expected to be the *Irish Times*).

Neither the failure to give notice, nor any defect in any notice given, to any particular holder of a Note will affect the sufficiency of any notice with respect to any other holder of any Note.

Such notice may be waived in writing by the person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by holders of the Notes of a Series Trust shall be filed with the Indenture Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

*Governing Law; Submission to Jurisdiction.* The Indenture, any relevant Series Indenture and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York, except as required by mandatory provisions of law and except to the extent that the validity or perfection of a Series Trust's ownership of and security interest in the relevant Funding Agreement or remedies under the Indenture or any relevant Series Indenture in respect thereof may be governed by the laws of a jurisdiction other than the State of New York. All judicial proceedings brought against the Trust, any Series Trust, or Indenture Trustee arising out of or relating to the Indenture, any relevant Series Indenture, Note or any portion of any Pledged Estate may be brought in a United States federal court located in New York City, the Borough of Manhattan. Under the terms of the Indenture and each relevant Series Indenture, the relevant Series Trust, the Trust and Indenture Trustee will each accept for itself the nonexclusive jurisdiction of the aforesaid courts, waive any defense of *forum non conveniens* and agree to be bound by any judgment rendered thereby in connection with the Indenture, the relevant Series Indenture or the Notes or any portion of the relevant Pledged Estate.

## **DESCRIPTION OF THE BENEFICIAL INTEREST CERTIFICATE**

The beneficial interest in each Series Trust will consist of one \$100 Beneficial Interest Certificate. The holder of the Beneficial Interest Certificate's right to payment will be in all respects subordinated to the rights to payment of holders of the Notes.

## **CERTAIN PROVISIONS OF THE MASTER TRUST AGREEMENT AND RELEVANT SERIES TRUST AGREEMENTS**

*Limitation on Permitted Activities.* Under the Master Trust Agreement creating the Trust and the Series Trust Agreement creating the Series Trust, neither the Trust nor any such Series Trust may undertake any business, activity or transaction except as expressly provided for or contemplated by the Master Trust Agreement, the relevant Series Trust Agreements, the Indenture or the relevant Series Indenture.

*Defense of claims.* Pursuant to the Master Trust Agreement and the relevant Series Trust Agreement, the Administrative Trustee must defend all claims and demands of all persons at any time claiming any lien on any of the assets of any Series Trust adverse to the interest of such Series Trust or any holder of the Notes issued by such Series Trust, other than the security interest in the Pledged Estate granted in favor of the Indenture Trustee on behalf of each such Noteholder pursuant to the Indenture and the relevant Series Indenture.

*Limitation on Liability of the Administrative Trustee.* The Administrative Trustee will not be liable for any action or failure to act, except (i) for its own willful misconduct or gross negligence, (ii) for the inaccuracy of its own representations or warranties contained in the Master Trust Agreement or any relevant Series Trust Agreement, (iii) for its failure to use ordinary care to disburse funds, or (iv) for taxes (other than income taxes), fees or other charges on, based on or measured by, any fees, commissions or compensation received by such Administrative Trustee in connection with any of the transactions contemplated by the Master Trust Agreement or any relevant Series Trust Agreement.

*Eligibility Requirements for Administrative Trustee.* The Administrative Trustee must at all times be a corporation (i) authorized to exercise corporate trust powers; (ii) having a combined capital and surplus of at least \$50,000,000 and subject to supervision or examination by Federal or State authorities; (iii) having (or having a parent which has) a rating of at least Baa3 by Moody's or BBB- by S&P and (iv) satisfying the provisions of Section 3807(a) of the Delaware Business Trust Act.

*Amendments to the Master Trust Agreement and relevant Series Trust Agreements.* The Master Trust Agreement and a relevant Series Trust Agreements may be amended from time to time by the Administrative Trustee without the consent of holders of the Notes issued by any relevant Series Trust, (i) to cure any ambiguity, (ii) to correct, supplement or modify any provision in such Master Trust Agreement and relevant Series Trust Agreement that is inconsistent with another provision therein or (iii) to modify, eliminate or add to any provisions of the Master Trust Agreement and relevant Series Trust Agreement to the extent necessary (A) to ensure that any Series Trust will be classified for U.S. federal income tax purposes as either a disregarded entity or a grantor trust at all times or (B) to ensure that any Series Trust will not be required to register as an investment company under the Investment Company Act; *provided, however*, that in the case of clause (i) and clause (ii), such action would not adversely affect in any material respect the interests of any holder of the Notes issued by any Series Trust.

Without the consent of each affected holder of the Notes issued by any Series Trust, the Master Trust Agreement and any relevant Series Trust Agreement may not be amended to (i) change the amount or timing of any payments on any Notes or otherwise adversely affect the terms of any Notes or (ii) impair the right of any Noteholder to institute suit for the enforcement of any right for principal and interest or other distribution.



## **DESCRIPTION OF CERTAIN TERMS AND CONDITIONS OF THE FUNDING AGREEMENTS**

The description of certain of the terms and conditions of the relevant Funding Agreements set forth below and in the description of the terms and conditions of the Notes set forth above is a summary of, and is subject to, the detailed provisions of such Funding Agreements and related documents, copies of which will be on file with the Indenture Trustee and Paying Agents. Capitalized terms used herein have the same meanings as those used in the Funding Agreement unless the context otherwise requires.

### **Generally**

Funding Agreements are unsecured obligations of insurance companies that, based upon Michigan Insurance Code Section 500.8142, would have a statutory liquidation priority over claims of general creditors as further described below. Under Michigan law, for purposes of determining the priority of distribution of claims from an insolvent Michigan domestic insurer's estate, life insurance and annuity policies include, but are not limited to, individual annuities, group annuities, GICs and funding agreement contracts, and are accorded a class two priority in the event of the insolvency of a Michigan domestic insurer. Michigan law would apply to insolvency or receivership proceedings of the Funding Agreement Provider should the Funding Agreement Provider ever become impaired or insolvent. Thus, in the event of the insolvency of the Funding Agreement Provider, funding agreements would be treated *pari passu* with life insurance policy and annuity claims, and therefore ahead of any unsecured debt obligations of the Funding Agreement Provider. The credit quality of a funding agreement is therefore reflected in the Funding Agreement Provider's insurance financial strength ratings.

The obligation to pay under each Funding Agreement will be solely an obligation of Jackson. The obligations of Jackson under each Funding Agreement are not guaranteed by any person, including but not limited to any of its holding companies, subsidiaries or affiliates.

Each series of Notes will be secured by all of the Funding Agreements issued by Jackson in respect of the tranches of Notes comprising such series of Notes.

### **Representations of Jackson**

Subject to the provisions of the applicable Final Terms for the related series of Notes, Jackson will, among other things, represent in each Funding Agreement executed by it that such Funding Agreement has been duly authorized, executed and delivered by it and, assuming the due authorization, execution and delivery thereof by the other party thereto, constitutes a legal, valid and binding obligation of it enforceable against it in accordance with the terms thereof, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity, regardless of whether enforcement is sought in a proceeding in equity or at law.

### **Restrictions on Transfer**

The following conditions must be satisfied in order to effectuate any assignment of any Funding Agreement: (a) the Funding Agreement may only be transferred through a book entry system maintained by Jackson within the meaning of Treasury Regulations Section 1.871-14(c)(1)(i) and (b) Jackson shall have received from the proposed assignee such representations, certificates, documentation and opinions as Jackson may deem necessary and appropriate.

### **Events of Default under Funding Agreements**

Subject to the provisions of the applicable Final Terms each of the following events will constitute an “**Event of Default**” under a Funding Agreement and Jackson shall, in the case of (a) and (b) below and shall, upon the request of the relevant Series Trust, in the case of (c) or (d), repay to the relevant Series Trust all amounts under the relevant Funding Agreement remaining unpaid, together with interest accrued thereon but unpaid forthwith upon the occurrence of any of the following events:

- (a) default in the payment of any interest on the relevant Funding Agreement when such interest becomes due and payable, and continuance of such default for a period of five Business Days; or
- (b) default in the payment of any principal amount under the relevant Funding Agreement and continuance of such default for a period of one Business Day; or
- (c) (i) a court having jurisdiction in the premises has entered a decree or order for relief in respect of Jackson in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect of the United States of America or any other applicable jurisdiction, which decree or order is not stayed; or any other similar relief has been granted under any applicable law; or (ii) an insolvency case has been commenced against Jackson under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect of the United States of America or any other applicable jurisdiction; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over Jackson, or over all or a substantial part of its property, has been entered; or there has occurred the involuntary appointment of an interim receiver, trustee or other custodian of Jackson for all or a substantial part of its property; or a court having jurisdiction in the premises has entered a decree or order declaring the dissolution of Jackson; or a warrant of attachment, execution or similar process has been issued against any substantial part of the property of Jackson and any such event described in this clause (c) continues for 30 days unless dismissed, bonded or discharged; or
- (d) (i) Jackson has an order for relief entered with respect to it or commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect of the United States of America or any other applicable jurisdiction, or consents to the entry of an order for relief in an involuntary case, or to the conversion of an involuntary case to a voluntary case, under any such law, or consents to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its property; or Jackson makes any assignment for the benefit of creditors; or (ii) Jackson fails or is unable, or Jackson admits in writing its inability, to pay its debts as such debts become due; or the Board of Directors of Jackson adopts any action to approve or for the purpose of effecting any of the actions referred to in this paragraph (d).

Jackson will forthwith notify the Administrative Trustee, the Series Trust and any rating agency rating the relevant Notes of the occurrence of any of either (c) or (d) above.

### **Payment of Additional Amounts**

Subject to the provisions of the applicable Final Terms, under each Funding Agreement, Jackson will agree: (i) to pay additional amounts to the relevant Series Trust to compensate for any withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or on behalf of any governmental authority in the United States having the power to tax, so that the net amount received by the Series Trust under the Funding Agreement will equal the amount that would have been paid under the Funding Agreement had no such deduction or withholding been required *provided that* Jackson shall not be required to make any payment of any additional amount for or on account of (a) any tax, duty, levy, assessment or governmental charge imposed which would have not been imposed but for the existence of any present or former connection between a holder or beneficial owner of one or more of the related Notes and the United States, including being or having been a citizen or resident thereof, or being or having been present therein, engaged in a trade or business therein, or incorporated therein, or having or having had a permanent establishment therein, or being or having been a controlled foreign corporation, a personal holding company, a passive foreign investment company, a corporation that has accumulated earnings to avoid United States federal income tax or a private foundation or other tax-exempt organization, or being or having been an actual or constructive owner of 10 % or more of the total combined voting power of all shares of Jackson or of the Series Trust or its owner; (b) any tax, duty, levy, assessment or governmental charge which would not have been imposed but for the presentation of the related Notes (where presentation is required) for payment on a date more than 30 days after the date on which such payment becomes due and payable or the date on which payment is duly provided for, whichever occurs later, except to the extent that the holder or beneficial owner of the related Note would have been entitled to additional

amounts had the Notes been presented on the last day of such period of 30 days; (c) any tax, duty, levy, assessment or governmental charge which is imposed or withheld solely by reasons of the failure of a holder or beneficial owner of a Note to comply with certification, identification or information reporting requirements concerning the nationality, residence, identity or connection with the United States of a holder or beneficial owner of such Note, if compliance is required by statute, by regulation of the United States Treasury Department or by an applicable income tax treaty to which the United States is a party as a precondition to exemption from such tax, assessment or other government charge; (d) any inheritance, gift, estate, personal property, sales or transfer tax or similar tax, duty, levy, assessment or governmental charge; (e) any tax, duty, levy, assessment or governmental charge that is payable otherwise than by withholding from payments in respect of the Funding Agreement or the related Notes; (f) any tax, duty, levy, assessment or governmental charge which is imposed by reason of the holder or beneficial owner being or having been a bank for United States federal income tax purposes whose receipt of interest on the Notes is described in Section 881(c)(3)(A) of the Code; (g) any tax, duty, levy, assessment or governmental charge imposed by reason of payments on the Notes being treated as contingent interest described in Section 871(h)(4) of the Code; (h) any tax, duty, levy, assessment or governmental charge that would not have been imposed but for an election by the holder or beneficial owner of one or more of the Notes the effect of which is to make payment in respect of the Notes subject to United States federal income tax; (i) any tax, duty, levy, assessment or governmental charge imposed under any of Sections 1471 through 1474 of the Code, any applicable United States Treasury Regulations promulgated thereunder, or any judicial or administrative interpretation of any of the foregoing; (j) any tax, duty, levy, assessment or governmental charge imposed with respect to a Bearer Note issued after March 18, 2012 that is not treated as being in “registered form” for U.S. federal income tax purposes; or (k) any combination of items (a), (b), (c), (d), (e), (f), (g), (h), (i) or (j); and (ii) to pay additional amounts to the relevant Series Trust to compensate for any additional amounts which the Series Trust may be required to pay pursuant to the terms and conditions of the Notes.

If Jackson would be required to pay additional amounts as provided above and such obligation cannot be avoided by Jackson taking reasonable measures available to it and such circumstances are evidenced by the delivery by Jackson to the relevant Series Trust of a certificate signed by two officers of Jackson stating that the said circumstances prevail and describing the facts leading thereto and an opinion of independent legal advisers of recognized standing to the effect that such circumstances prevail, then Jackson may repay all amounts due under each Funding Agreement, and thereby terminate such Funding Agreement.

## TAXATION

*The Information provided below does not purport to be a complete summary of the United States tax law and practice currently applicable. Prospective investors should consult with their own professional advisors.*

### United States Taxation

The following is a summary of certain United States federal income tax consequences of the purchase, ownership and disposition of the Notes. It is included herein for general information only and does not address every aspect of the income or other tax laws that may be relevant to investors in the Notes in light of their personal investment circumstances or that may be relevant to certain types of investors subject to special treatment under U.S. income tax laws (for example, financial institutions, tax-exempt organizations, real estate investment trusts, regulated investment companies, insurance companies, dealers in securities or currencies, traders in securities that elect to use a mark-to-market method of accounting for the securities holdings or U.S. persons that have a functional currency other than the United States dollar). If a partnership holds the Notes, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. Persons that are partners of a partnership holding the Notes are urged to consult their tax advisors. The discussion in this summary is limited to initial purchasers of the Notes who purchase the Notes for cash at the “issue price” (*i.e.*, the initial offering price to the public, excluding bond houses and brokers, at which a substantial amount of such Notes are sold) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code and not as part of a straddle, hedging or conversion transaction, or as part of a “synthetic security” or other integrated financial transaction. In addition, this discussion does not address the effect of U.S. federal alternative minimum tax, U.S. federal gift and estate tax law or any state, local or foreign tax laws.

Persons considering the purchase, ownership or disposition of the Notes should consult their own tax advisors concerning the United States federal income tax consequences in light of their particular situations as well as any consequences arising under the laws of any other taxing jurisdiction. Furthermore, the discussion below is based upon provisions of the Code, the legislative history thereof, final, temporary and proposed regulations thereunder, and rulings and judicial decisions thereunder as of the date hereof, and such authorities may be repealed, revoked or modified (including changes in effective dates, and possibly with retroactive effect) so as to result in United States federal income tax consequences different from those discussed below.

As used herein, a “**Non-U.S. Holder**” is any beneficial owner of a Note (other than a partnership) that is not a U.S. Holder. A “**U.S. Holder**” is a beneficial owner of a Note that is for United States federal income tax purposes (i) a citizen or resident of the United States; (ii) a corporation created or organized in or under the laws of the United States or any State thereof (including the District of Columbia); (iii) an estate the income of which is subject to United States federal income tax without regard to its source; or (iv) a trust, if (a) a court within the United States is able to exercise primary supervision over administration of the trust and one or more United States persons have authority to control all substantial decisions of the trust or (b) it has a valid election in effect under applicable U.S. Treasury regulations to be treated as a domestic trust (any of the foregoing, for purposes of this “Taxation” section, a “**U. S. Person**”).

### Tax Treatment of the Series Trust and the Notes

In the opinion of Willkie Farr & Gallagher LLP, special U.S. income tax counsel to Jackson (“**Special Tax Counsel**”), under current law and assuming that the Series Trust is operated in accordance with its organizational documents and as described in this Offering Memorandum, and based on certain facts and assumptions contained in such opinion, (i) the Series Trust will be ignored for United States federal income tax purposes and will not be treated as an association or a publicly traded partnership taxable as a corporation, and (ii) the Notes will be treated as debt of Jackson for United States federal income tax purposes.

Jackson and the Series Trust will treat the Notes as debt of Jackson for U.S. federal income tax purposes. Each Holder of the Notes, by acceptance of such Notes, will also agree to treat the Notes as debt of Jackson for U.S. federal income tax purposes. The remainder of this discussion assumes the Notes are properly treated as debt of Jackson for U.S. federal income tax purposes.

An opinion of Special Tax Counsel is not binding on the Internal Revenue Service (the “**IRS**”) or the courts, and no ruling on any of the consequences or issues discussed below will be sought from the IRS. Accordingly, persons considering the purchase of the Notes should consult their own tax advisors about the U.S. federal income tax consequences of an investment in the Notes and the application of U.S. federal income tax laws, as well as the laws of any state, local or foreign taxing jurisdictions, to their particular situations.

## **United States Taxation of U.S. Holders**

### ***Original Issue Discount and Premium***

U.S. Holders of the Notes will include payments of stated interest received in respect of the Notes as ordinary interest income in the taxable year when received or accrued in accordance with their method of accounting for federal income tax purposes. In general, if the issue price of a Note, determined by the aggregate first price at which a substantial amount of the Notes of the first related tranche of a series are sold to the Holders, is less than the “stated redemption price at maturity” of the Note by more than a *de minimis* amount, a U.S. Holder will be considered to have purchased the Note with original issue discount (“**OID**”). If a U.S. Holder acquires a Note with OID, then regardless of such Holder’s method of accounting, the Holder will be required to accrue OID on the Note on a constant yield basis and include such accruals in gross income.

In general, if the issue price of a Note exceeds the “stated redemption price at maturity” of the Note, a U.S. Holder will be considered to have purchased the Note at a premium. In this event, a U.S. Holder may elect to amortize such premium, based on a constant interest basis, as an offset to interest income, whether or not such U.S. Holder has received any cash payment from Jackson with respect to the Note. Any amount of unamortized bond premium will decrease the U.S. Holder’s tax basis in the Note.

“**Stated redemption price at maturity**” means the sum of all payments to be received on a Note other than payments of “**qualified stated interest**” (defined generally as stated interest that is unconditionally payable at least annually at a single fixed rate or, in the case of a variable rate debt instrument, at a “qualified floating rate,” an “objective rate,” a combination of a single fixed rate and one or more “qualified floating rates” or one “qualified inverse floating rate,” or a combination of “qualified floating rates” that generally does not operate in a manner that accelerates or defers interest payments on such Note).

### ***Sale, Exchange or Retirement of the Notes***

In general, a U.S. Holder of a Note will have an adjusted tax basis in such Note equal to the cost of the Note to such Holder, increased by any amount includible in income by such Holder as OID and reduced by amortized premium and any payments other than payments of qualified stated interest on the Note. Upon a sale, exchange or retirement of a Note, a U.S. Holder will generally recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any accrued interest, which would be taxable as such) and the Holder’s adjusted tax basis in such Note. Such gain or loss will be long-term capital gain or loss if the U.S. Holder held the Note for more than one year at the time of disposition, subject to the rules described below for a Foreign Currency Note (as defined below). U.S. Holders that are individuals are entitled to preferential treatment for the excess of net long-term capital gains over net short-term capital losses; however, the ability of U.S. Holders to offset capital losses against ordinary income is limited.

### ***Foreign Currency Notes***

The following summary describes special rules that apply, in addition to the rules described above, to Notes that are denominated in, or provide for payments determined by reference to, a currency or currency unit other than the United States dollar (“**Foreign Currency Notes**”). The amount of stated interest paid with respect to a Foreign Currency Note that is includible in income by a cash method of accounting U.S. Holder is the U.S. dollar value of the amount paid, as determined on the date of receipt by the U.S. Holder using the spot rate of exchange on such date. In the case of stated interest paid to a U.S. Holder that uses the accrual method of accounting, and in the case of OID for all U.S. Holders, such U.S. Holder is required to include in income the U.S. dollar value of the amount of interest income or OID that accrued during the accrual period. The U.S. dollar value of such accrued interest

income is determined by translating such income at the average rate of exchange for the accrual period or, at the U.S. Holder's election, at the spot rate of exchange on the last day of the accrual period.

*Sale, Exchange or Redemption of a Foreign Currency Note.* The amount realized with respect to a sale, exchange or redemption of a Foreign Currency Note generally will be (i) in the case of a cash basis taxpayer, the U.S. dollar value of the payment received determined on the settlement date of the sale of such Note (using the spot rate on such date) or (ii) in the case of an accrual basis taxpayer, the U.S. dollar value of the payment received determined on the date of disposition of such Note (or, if such taxpayer elects, the settlement date of the sale of such Note) (using the spot rate on such date). Gain or loss that is recognized will be ordinary income or loss to the extent it is attributable to fluctuations in exchange rates between the date of purchase (or basis adjustment) and the date of disposition or settlement, as the case may be.

### ***Net Investment Income Tax***

Certain U.S. Holders that are individuals, estates or trusts will be subject to a 3.8% tax on all or a portion of their "net investment income," which may include all or a portion of their interest income and net gains from the disposition of a Note. If you are a U.S. Holder that is an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of the net investment income tax to your income.

### **United States Taxation of Non-U.S. Holders**

Provided the Notes are sold and delivered and payments are made in accordance with the terms of the Notes, and subject to the discussion of backup withholding and FATCA withholding below, payments of principal and interest (including OID) with respect to the Notes by or on behalf of a Series Trust or any of its paying agents to a Non-U.S. Holder, assuming such income is not effectively connected with the conduct of a trade or business in the United States, will not be subject to United States federal withholding tax if: (i) the Non-U.S. Holder does not actually or constructively own 10 percent or more of the total combined voting power of all classes of stock of Jackson entitled to vote within the meaning of Section 871(h)(3) of the Code and regulations thereunder, (ii) the Non-U.S. Holder is not a controlled foreign corporation that is related within the meaning of Section 864(d)(4) of the Code to Jackson, (iii) the Non-U.S. Holder is not a bank for United States federal income tax purposes whose receipt of interest on the Note is described in Section 881(c)(3)(A) of the Code; (iv) interest on the Notes is not contingent interest within the meaning of Section 871(h)(4)(A) of the Code; (v) the Notes are treated as being in "registered form" for U.S. federal income tax purposes; and (vi) the certification requirements under Section 871(h) or Section 881(c) of the Code and regulations thereunder, summarized below, are met (satisfaction of the foregoing referred to as eligibility for the "**Portfolio Interest Exemption**").

Sections 871(h) and 881(c) of the Code and regulations thereunder require that, in order to obtain the Portfolio Interest Exemption from withholding previously described: (a) the beneficial owner of the Notes must certify to Jackson and the Series Trust or a paying agent (as the case may be), under penalties of perjury, that such owner is a Non-U.S. Holder, and must provide its name, address and U.S. taxpayer identification number ("**TIN**"), if any as well as any other required certification information; (b) a securities clearing organization, bank or other financial institution that holds customers' securities in the ordinary course of its trade or business (a "**Financial Institution**") and holds such Notes on behalf of the beneficial owner thereof must certify to Jackson and the Series Trust or a paying agent (as the case may be), under penalties of perjury, that such certificate has been received from the beneficial owner by it or by a Financial Institution between it and the beneficial owner, and must furnish Jackson and the Series Trust or such paying agent (as the case may be) with a copy thereof; or (c) the Non-U.S. Holder must provide the certification described in clause (a) to a "qualified intermediary" or a "withholding foreign partnership," and must ensure that certain other conditions are met. For these purposes, the certificate stating that the beneficial owner of a Note is not a U.S. Holder is generally valid only if it is signed under penalties of perjury, contains the beneficial owner's name and permanent residence address and is dated no earlier than the third year prior to the date on which it was provided. The beneficial owner's certification may be provided on IRS Form W-8BEN or W-8BEN-E, if applicable (or such successor form as the IRS may prescribe). A non-withholding foreign partnership generally is required to provide Form W-8IMY (or such successor form as the IRS may prescribe) and to attach thereto an appropriate certification by each partner, with a look-through rule applying in the case of tiered partnerships.

If a Non-U.S. Holder does not satisfy the requirements for eligibility for the Portfolio Interest Exemption, interest (including OID) earned by such Non-U.S. Holder generally will be subject to a 30 percent withholding tax unless (i) the Note has a maturity (at issue) of 183 days or less or (ii) the beneficial owner of the Note provides the Series Trust or its paying agent, as the case may be, with a properly executed (1) IRS Form W-8BEN or W-8BEN-E, if applicable (or such successor form) claiming an exemption from or reduction in withholding under the benefit of a United States income tax treaty or (2) IRS Form W-8ECI stating that interest paid on the Note is not subject to withholding tax because it is effectively connected with the Non-U.S. Holder's conduct of a trade or business in the United States.

A Non-U.S. Holder will not be subject to net basis United States federal income taxation with respect to interest (including OID) on a Note unless such income is or is deemed to be effectively connected with the conduct of a United States trade or business by the Non-U.S. Holder, in which case net basis income taxation on such income will apply in the same manner as if the Non-U.S. Holder were a U.S. Holder, and, if such holder is a foreign corporation, it may also be subject to a branch profits tax equal to 30 percent (or lower rate provided by an applicable treaty) of its effectively connected earnings and profits for the taxable year, subject to adjustments. For this purpose, such interest (including OID) on a Note will be included in such foreign corporation's earnings and profits.

Subject to the discussion of backup withholding and FATCA withholding below, a Non-U.S. Holder will not be subject to United States federal income or withholding tax on any gain realized on the sale, exchange, retirement or other disposition of a Note other than gain attributable to accrued interest (including OID) and will not be subject to United States federal income tax on such gain unless (i) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of such sale, exchange, retirement or other disposition, and certain other conditions are met or (ii) such gain is (or is treated as) effectively connected with a trade or business in the United States of such Non-U.S. Holder.

### **Backup Withholding and Information Reporting**

The description below is general in nature and beneficial owners of the Notes should consult their tax advisors regarding the application of backup withholding and information reporting to their particular situations, the availability of an exemption therefrom, and the procedure for obtaining such an exemption, if available.

Backup withholding tax is not an additional tax. Rather, any amounts withheld from a payment to a beneficial owner under the backup withholding rules are allowed as a refund or a credit against such beneficial owner's United States federal income tax, provided that the required information is furnished to the IRS.

### ***U.S. Holders***

Under United States federal income tax law, information reporting requirements apply to interest (including OID) and principal payments made to, and to the proceeds of sales before maturity by, certain non-corporate U.S. Holders. In addition, backup withholding tax will apply to such payments if (i) the non-corporate U.S. Holder fails to furnish such non-corporate U.S. Holder's TIN (which, for an individual, would be his or her Social Security Number) to the payor in the manner required, (ii) the non-corporate U.S. Holder furnishes an incorrect TIN and the payor is so notified by the IRS, (iii) the payor is notified by the IRS that it has failed properly to report payments of interest and dividends or (iv) in certain circumstances, the non-corporate U.S. Holder fails to certify, under penalties of perjury, that it has not been notified by the IRS that it is subject to backup withholding for failure properly to report interest and dividend payments. Backup withholding will not apply with respect to payments made to certain exempt recipients, such as corporations (within the meaning of Section 7701(a)(3) of the Code) and tax-exempt organizations. Certain recipients (such as corporations) may be exempt from information reporting and backup withholding; however, exempt recipients that are not subject to backup withholding and do not provide an IRS Form W-9 will nonetheless generally be treated as a foreign payee subject to withholding under FATCA, and may be withheld upon at the 30% rate discussed below under “—FATCA Requirements Affecting Taxation of Notes Held By or Through Foreign Entities.”

### ***Non-U.S. Holders***

In the case of a Non-U.S. Holder, backup withholding and information reporting will not apply to payments of principal, premium and interest (including OID) on a Note if such Non-U.S. Holder provides the required certification to establish an exemption from the withholding of United States federal income tax (*e.g.*, a Form W-8BEN or W-8BEN-E, as applicable) or otherwise establishes an exemption, provided that (i) Jackson, the Series Trust or its paying agent, as the case may be, does not have actual knowledge that the payee is a U.S. Person and (ii) certain other conditions are satisfied. Similarly, unless the payor has actual knowledge that the payee is a U.S. Person, backup withholding will not apply to (a) payments of interest (including OID, if any) made outside the United States to certain offshore accounts and (b) payments on the sale, exchange, redemption, retirement or other disposition of a Note effected outside the United States. However, information reporting (but not backup withholding) will apply to (1) payments of interest made by a payor outside the United States and (2) payments on the sale, exchange, retirement or other disposition of a Note effected outside the United States if payment is made by a payor that is, for United States federal income tax purposes, (v) a United States person, (w) a controlled foreign corporation, (x) a United States branch of a foreign bank or foreign insurance company, (y) a foreign partnership controlled by U.S. Persons or engaged in a United States trade or business or (z) a foreign person 50% or more of whose gross income is effectively connected with the conduct of a United States trade or business for a specified three-year period, unless such payor or broker has in its records documentary evidence that the beneficial owner is not a U.S. Person and certain other conditions are met or the beneficial owner otherwise establishes an exemption.

### ***FATCA Requirements Affecting Taxation of Notes Held By or Through Foreign Entities***

Sections 1471 and 1474 of the Code (commonly referred to as the “FACTA provisions”) generally impose a withholding tax of 30 percent on interest income (including OID) from debt obligations of U.S. issuers and, beginning on January 1, 2017, on the gross proceeds of a disposition of such obligations paid to a foreign financial institution (other than with respect to interest (including OID) or gross proceeds that are effectively connected with the conduct of a trade or business within the United States), unless such institution either (i) enters into an agreement with the U.S. government to collect and provide to the U.S. tax authorities substantial information regarding U.S. account holders of such institution (which would include certain account holders that are foreign entities with U.S. owners) or (ii) in the event that an applicable intergovernmental agreement and implementing legislation are adopted, complies with modified requirements including in some cases providing local revenue authorities with similar account holder information.

The FATCA provisions also generally impose a withholding tax of 30 percent on interest income from such obligations and, beginning on January 1, 2017, on the gross proceeds of a disposition of such obligations paid to a non-financial foreign entity (other than with respect to interest or gross proceeds that are effectively connected with the conduct of a trade or business within the United States) unless such entity provides the withholding agent with a certification that it does not have any substantial U.S. owners or a certification identifying the direct and indirect substantial U.S. owners of the entity or unless certain exceptions apply or they agree to provide certain information to other revenue authorities for transmittal to the IRS. Under certain circumstances (for example, if the recipient is resident in a country having a tax treaty with the United States), a holder of such obligation might be eligible for refunds or credits of such taxes. The Issuer will not be required to pay Additional Amounts with respect to any taxes withheld from payments on the Notes as a result of the enactment and implementation of the FATCA provisions. The IRS has also recently released a new U.S. Form W-8BEN-E. The Form W-8BEN-E generally requires certain non-U.S. entities to certify as to their FATCA status, and if applicable, provide their Global Intermediary Identification Number. Investors are urged to consult with their own tax advisors regarding the possible implications of FACTA provisions on their investment in the Notes.

### ***Recent U.S. Federal Tax Guidance***

The Treasury Department has issued proposed regulations and additional guidance under which all or a portion of any coupon payment or amount that a Non-U.S. Holder receives upon the maturity of any Note that is classified as a “specified equity-linked instrument” or upon a sale of such Note could be treated as a “dividend equivalent” payment that is subject to tax at a rate of 30% (or a lower rate under an applicable treaty), which in the case of any payment made by the Issuer or any paying agent could be collected via withholding. The Treasury and the Internal Revenue Service intend to limit “specified equity-linked instruments” to such instruments issued on or



after 90 days following the date of publication of the final regulations. While significant aspects of the application of these regulations to the Notes are uncertain, depending upon the actual content of any final regulations, such withholding may be required if any payments are contingent upon or determined by reference to U.S. source dividends. If withholding is required, no Additional Amounts will be paid with respect to amounts so withheld. You should consult your tax advisor concerning the potential application of these regulations (and any subsequent regulations or other official guidance) to payments you receive on any Note that is classified as a “specified equity-linked instrument” and regarding any other possible alternative characterizations of your Notes for U.S. federal income tax purposes.

The Treasury Department has issued final and temporary regulations that revise certain provisions that relate to withholding of tax on certain U.S. source income paid to foreign persons, information reporting and backup withholding with respect to payments made to certain U.S. persons, and portfolio interest paid to nonresident alien individuals and foreign corporations, in order to harmonize those provisions with the withholding and reporting regime to be implemented under the FATCA provisions. These regulations may extend the validity period of applicable IRS Forms in some circumstances, and may affect the type of form and information required to be provided. Holders of the Notes should consult their tax advisors regarding the application of these regulations to their particular situations.

### ***Registered Form Requirement***

Interest paid to a Non-U.S. Holder on a Bearer Note that is not treated as being in “registered form” for U.S. federal income tax purposes with a maturity of more than 183 days will be subject to a 30 percent withholding tax unless the beneficial owner of the amount establishes eligibility for an exemption from withholding other than the Portfolio Interest Exemption, including eligibility for a reduced rate of withholding under an income tax treaty. However, the Series Trust will not issue any Bearer Notes unless such Bearer Notes are treated as being in “registered form” for U.S. federal income tax purposes.

THE UNITED STATES FEDERAL INCOME TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A HOLDER’S PARTICULAR SITUATION. HOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND THE POSSIBLE EFFECTS OF CHANGES IN UNITED STATES OR OTHER TAX LAWS.

### **EU Savings Directive**

Should any deduction or withholding on account of tax be required to be made, or is made, pursuant to EU Council Directive 2003/48/EC on taxation of savings income in the form of interest payments (the “**EU Savings Directive**”) or any law implementing or complying with, or introduced in order to conform to the EU Savings Directive, no additional amounts shall be payable or paid by the Series Trust or Jackson.

NEITHER THE TRUST NOR ANY OF THE INITIAL PURCHASERS MAKES ANY COMMENT ABOUT THE TREATMENT FOR TAXATION PURPOSES OF PAYMENTS OR RECEIPTS IN RESPECT OF THE NOTES. EACH INVESTOR CONTEMPLATING ACQUIRING NOTES UNDER THE PROGRAM IS ADVISED TO CONSULT A PROFESSIONAL ADVISOR IN CONNECTION WITH THE CONSEQUENCES RELATING TO THE ACQUISITION, RETENTION AND DISPOSITION OF NOTES.

## EMPLOYEE BENEFIT PLAN CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), and Section 4975 of the Code impose certain requirements on (i) employee benefit plans (as defined in Section 3(3) of ERISA) subject to ERISA (“**ERISA Plans**”), (ii) plans and retirement arrangements subject to Section 4975 of the Code, including individual retirement accounts (and annuities, and Keogh plans (together with ERISA Plans, “**Plans**” and each a “**Plan**”)), and (iii) entities, including certain collective investment funds or insurance company general or separate accounts, whose underlying assets include the assets of any such Plans (“**Plan Assets**”). Each fiduciary of an ERISA Plan should consider the fiduciary standards of ERISA in the context of the ERISA Plan’s particular circumstances before authorizing an investment in the Notes. Accordingly, among other factors, the fiduciary should consider whether such an investment is permitted under the documents and instruments governing the ERISA Plan and whether the investment would satisfy the prudence and diversification requirements of ERISA.

Section 406 of ERISA and Section 4975 of the Code prohibit a broad range of transactions involving Plan Assets and persons (“parties in interest” under ERISA and “disqualified persons” under the Code, collectively, “**Parties in Interest**”) with specified relationships to a Plan, unless a statutory or administrative exemption is available. Parties in Interest that participate in a prohibited transaction may be subject to a penalty imposed under ERISA and/or an excise tax imposed pursuant to Section 4975 of the Code, unless a statutory or administrative exemption is available. Certain employee benefit plans, such as governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and foreign plans, though not subject to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code, may be subject to any non-U.S., federal, state or local law which is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code (collectively, “**Similar Laws**”).

Subject to the considerations described herein, the Notes may be purchased by any Plan.

Any fiduciary or other Plan investor considering whether to purchase the Notes with Plan Assets should determine whether such purchase is consistent with its fiduciary duties and whether such purchase would constitute or result in a non-exempt prohibited transaction under ERISA and/or Section 4975 of the Code. Because the acquisition and holding of a Note may be deemed to be an indirect extension of credit between an investor and Jackson, and Jackson may be a Party in Interest to a number of Plans, the acquisition and holding of a Note could constitute a prohibited transaction. In addition the Administrative Trustee and the Initial Purchasers, among other parties involved in the operations of the Trust, might be Parties in Interest to the Plans considering acquiring Notes. Accordingly, any fiduciary or other Plan investor considering whether to purchase or hold the Notes should consult with its counsel regarding the availability of exemptive relief under U. S. Department of Labor (“**DOL**”) Prohibited Transaction Class Exemption (“**PTCE**”) 96-23 (relating to transactions determined by “in-house asset managers”), 95-60 (relating to transactions involving insurance company general accounts), 91-38 (relating to transactions involving bank collective investment funds), 90-1 (relating to transactions involving insurance company pooled separate accounts) or 84-14 (relating to transactions determined by independent “qualified professional asset managers”). In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code each provides a limited exemption, commonly referred to as the “**Service Provider Exemption**,” from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions between a Plan and a person that is a party in interest and/or a disqualified person (other than a fiduciary or an affiliate that, directly or indirectly, has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of any Plan involved in the transaction) solely by reason of providing services to the Plan or by relationship to a service provider, provided that the Plan receives no less, nor pays no more, than adequate consideration. Any Plan fiduciary relying on the Service Provider Exemption in connection with the purchase of Notes will have to make a determination that (x) the Plan is paying no more than, and is receiving no less than, adequate consideration in connection with the transaction and (y) none of the Issuer, Jackson, the Administrative Trustee, any Initial Purchaser, the Indenture Trustee, any Paying Agent, the Custodian, the Depositor, the Calculation Agent, nor any of their respective affiliates directly or indirectly exercises any discretionary authority or control or renders investment advice with respect to the assets of the Plan which such fiduciary is using to purchase Notes, both of which are necessary preconditions to utilizing the Service Provider Exemption. A purchaser of the Notes should be aware, however, that there can be no assurance that all of the conditions of any such exemptions will be satisfied at the time that the Notes are acquired by a purchaser, or thereafter, if the facts relied upon for utilizing a prohibited transaction exemption change.

In any event, each Noteholder will be deemed to have represented by its purchase and holding of the Notes or any beneficial interest therein that either (i) it is not, and is not acting on behalf of or investing the assets of a Plan, or a governmental, church or foreign plan that is subject to Similar Laws, or (ii) its acquisition, holding and disposition of the Notes or beneficial interest therein and its indirect holding, acquisition and disposition of an interest in any Funding Agreement, or other assets in the Pledged Estate, will not constitute or result in (A) a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church or foreign plan, any Similar Laws), or (B) any other violation of ERISA or Similar Laws. Moreover, without regard to whether any of the above exemptions applies to the acquisition and holding of a Note, the Notes may not be purchased or held by any Plan, or any person acting on behalf of or investing Plan Assets of any Plan, if Jackson, the Administrative Trustee, any Initial Purchaser, the Indenture Trustee, any Paying Agent, the Custodian, the Depositor, the Calculation Agent, or any of its affiliates (a) has investment or administrative discretion with respect to the Plan Assets used to effect such purchase; or (b) has authority or responsibility to give, or regularly gives, investment advice with respect to such Plan Assets, for a fee and pursuant to an agreement or understanding that such advice (1) will serve as a primary basis for investment decisions with respect to such Plan Assets, and (2) will be based on the particular investment needs of such Plan.

The DOL has promulgated a regulation, 29 C.F.R. §2510.3-101, as modified by Section 3(42) of ERISA (the “**Plan Asset Regulation**”), that describes what constitutes the assets of a Plan with respect to the Plan’s investment in an entity for purposes of the fiduciary responsibility provisions of Title I of ERISA and Section 4975 of the Code. Under the Plan Asset Regulation, if a Plan invests in an “equity interest” of an entity that is neither a “publicly offered security” nor a security issued by an investment company registered under the Investment Company Act, the Plan’s assets are deemed to include both the equity interest itself and an undivided interest in each of the entity’s underlying assets, unless it is established either that less than 25% of the total value of each class of equity interest in the entity is held by “benefit plan investors” as defined in Section 3(42) of ERISA (the “25% Test”) or that the entity is an “operating company,” as defined in the Plan Asset Regulation. The Plan Asset Regulation provides, however, that where the value of a Plan’s equity interest in an entity relates solely to identified property of the entity, such property shall be treated as the sole property of a separate entity.

It is not anticipated that (i) the Notes will constitute “publicly offered securities” for purposes of the Plan Asset Regulation, (ii) the Issuer will be an investment company registered under the Investment Company Act or (iii) the Issuer will qualify as an operating company within the meaning of the Plan Asset Regulation. In addition, there is no intent to monitor or take any other measures to assure satisfaction of the 25% Test.

The Plan Asset Regulation defines an “equity interest” as an interest other than an instrument that is treated as indebtedness under applicable local law and which has no substantial equity features. There is very little pertinent authority on the issue of what constitutes an equity security for purposes of the Plan Asset Regulation. Accordingly, whether the Notes would be treated as debt or equity for purposes of the Plan Asset Regulation is unclear. Since, however the Noteholders of a Series of Notes will have recourse only to the relevant Pledged Estate that secures such Series of Notes, if the Notes were treated as equity interests, only the related Funding Agreement would be treated as assets of any Plan holding a Note. Even if the Notes were treated as equity interests for purposes of the Plan Asset Regulation, because (a) the Issuer expects that the Funding Agreements will be treated as debt, rather than equity, for federal tax purposes and (b) the Funding Agreements should not be deemed to have any “substantial equity features,” none of the assets underlying the Funding Agreements should be treated as Plan Assets for purposes of the Plan Asset Regulation. Those conclusions are based, in part, upon the traditional debt features of the Funding Agreements including the reasonable expectation of purchasers of the Notes that the amounts payable under the Funding Agreements will be paid when due, as well as the absence of conversion rights, warrants and other typical equity features. Moreover, since the Administrative Trustee has no discretionary authority with respect to the Funding Agreements even if the Funding Agreements are treated as Plan Assets of a Plan holding a Note, the Administrative Trustee should not be treated as having acted in a fiduciary capacity with respect to the Funding Agreements and the treatment of the Funding Agreements as Plan Assets should not, absent other factors that do not appear to be present, give rise to a violation of the prohibited transaction rules of ERISA or Section 4975 of the Code, provided that the prohibited transaction exemption relied upon by the purchaser of the Notes to acquire and hold the Notes also applies to the purchaser’s indirect holding of an interest in a Funding Agreement.

***Any fiduciary or other Plan investor considering whether to purchase any Notes on behalf of or with Plan Assets of any Plan should consult with its counsel regarding the potential consequences under ERISA and the Code of an investment in the Notes considering their specific circumstances.***

Any insurance company proposing to invest assets of its general account in the Notes should consider the extent to which such investment would be subject to the requirements of ERISA in light of the U.S. Supreme Court's decision in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993), and subsequent guidance relating to that decision. In particular, such an insurance company should consider the retroactive and prospective exemptive relief granted by the DOL for transactions involving insurance company general accounts in PTCE 95-60 and Section 401(c) of ERISA.

Due to the complexity of these rules and the penalties that may be imposed upon Parties in Interest in non-exempt prohibited transactions, it is particularly important that a fiduciary considering the purchase of Notes on behalf of, or with Plan Assets of, any Plan consult with its counsel regarding the potential consequences of such purchase and the availability of exemptive relief under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14, or the Service Provider Exemption, and determine on its own whether all of the conditions of one of more of the foregoing prohibited transaction exemptions (or any other applicable statutory or administrative exemption) have been satisfied and that its purchase, holding and disposition of the Notes will be entitled to full exemptive relief. The fiduciary of an employee benefit plan that is not subject to ERISA or Section 4975 of the Code proposing to invest in the Notes must make its own determination that such investment is permitted under applicable Similar Laws.

The sale of any Notes to a Plan is in no respect a representation by any party or entity that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.

## **PLAN OF DISTRIBUTION**

### **General**

Each series of Notes will be purchased from the relevant Series Trust pursuant to the terms and conditions of the Purchase Agreement, and the Series Trust Consent Letter to the Purchase Agreement to be executed by and between the Trust, with respect to the Series Trust, and the Initial Purchasers. The Initial Purchasers will be named in the Final Terms relating to such series of Notes. The Purchase Agreement makes provision for the resignation or termination of appointment of existing Initial Purchasers and for the appointment of additional or other Initial Purchasers either generally in respect of the Program or in relation to a particular tranche of Notes.

Each Series Trust may sell the Notes of any series to an Initial Purchaser as principal for its own account at discounts to be agreed upon at the time of sale. That Initial Purchaser may resell the Notes to investors and other purchasers at a fixed offering price or at prevailing market prices, or prices related thereto at the time of resale or otherwise, as that Initial Purchaser determines and as will be specified in the applicable Final Terms. An Initial Purchaser may offer the Notes it has purchased as principal to other dealers. That Initial Purchaser may sell the Notes to any dealer at a discount and, subject to the provisions of the applicable Final Terms, the discount allowed to any dealer will not be in excess of the discount that Initial Purchaser will receive from each Series Trust. After the initial offering of the Notes that an Initial Purchaser is to resell on a fixed offering price basis, the Initial Purchaser may change the offering price, concession and discount.

Jackson will agree to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute payments made in respect of those liabilities. Jackson will also agree to reimburse the Initial Purchasers for specified expenses.

In connection with the issue of any tranche of Notes, the Initial Purchaser or Initial Purchasers (if any) named as the Stabilizing Manager(s) in the applicable Final Terms (or any person acting on behalf of any Stabilizing Manager), may over-allot Notes (provided that the aggregate principal amount of Notes allotted does not exceed 105 percent of the aggregate principal amount of the Notes) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the final terms of the offer of the relevant tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant tranche of Notes and 60 days after the date of the allotment of the relevant tranche of Notes. Any such stabilization action shall be conducted by the relevant Stabilizing Manager (or person(s) acting on behalf of the Stabilizing Manager) in compliance with all applicable laws, rules and regulations.

Neither the Trust nor any of the Initial Purchasers makes any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Notes. In addition, neither the Trust nor any of the Initial Purchasers makes any representation that the Initial Purchasers will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

The Notes may be admitted to trading on the regulated market of the Irish Stock Exchange or listed on any other exchange, or the Notes may not be listed on any exchange. No Initial Purchaser is under any obligation to make a market in the Notes and, to the extent that such market making is commenced by any Initial Purchasers, it may be discontinued at any time. Given the restrictions on and risks related to transfer, there is no assurance that a secondary market will develop or, if it does develop, that it will provide Noteholders with liquidity of investment or that it will continue until the maturity of the Notes. Prospective investors should proceed on the assumption that they may have to bear the economic risk of an investment in the Notes until maturity.

With respect to offers and sales outside the United States, each Initial Purchaser will comply (to the best of its knowledge) with all applicable laws and regulations in each country or jurisdiction in or from which it purchases, offers, sells or delivers the Notes or has in its possession or distributes such offering material, in all cases at their own expense.

## United States of America

The Initial Purchasers will offer the Notes for resale in transactions not requiring registration under the Securities Act or applicable state securities laws, including sales pursuant to Rule 144A under the Securities Act. The Initial Purchasers have agreed to not offer or sell the Notes except (i) to persons they reasonably believe to be Qualified Institutional Buyers or (ii) pursuant to offers and sales to non-U.S. persons that occur outside the U.S. within the meaning of Regulation S. The Notes sold pursuant to Regulation S may not be offered or resold in the U.S. or to U.S. persons (as defined in Regulation S) until the Release Date, and thereafter such Notes may only be resold in the U.S. to Qualified Institutional Buyers or institutional investors that are “accredited investors” within the meaning of rule 501(a) under the Securities Act or to non-U.S. persons, in each case pursuant to an exemption from the registration requirements of the Securities Act. The Notes will initially be offered at the price indicated in the relevant Final Terms. After the initial offering of the Notes, the offering price and other selling terms of the Notes may from time to time be varied by the Initial Purchasers.

Each Initial Purchaser participating in the offerings of Bearer Notes will represent, warrant and agree that: (i) (a) except to the extent permitted under United States Treasury Regulation Section 1.163-5(c)(2)(i)(D) (the “**D Rules**”), it has not offered or sold, and during the Restricted Period (as defined below) will not offer or sell, Bearer Notes to a person who is within the United States or its possessions or to a United States person, and (b) it has not delivered, and will not deliver within the United States or its possessions, Bearer Notes that are sold during the Restricted Period; (ii) it has and throughout the Restricted Period will have in effect procedures reasonably designed to ensure that its employees or agents who are directly engaged in selling Bearer Notes are aware that such Notes may not be offered or sold during the Restricted Period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules; (iii) if it is a United States person, it is acquiring the Bearer Notes for purposes of resale in connection with their original issuance and if it retains Bearer Notes for its own account, it will do so only in accordance with the requirements of United States Treasury Regulations Section 1.163-5(c)(2)(i)(D)(6); and (iv) with respect to each affiliate (if any) that acquires from any Purchasing Agent the Notes in bearer form for the purposes of offering or selling such Notes during the Restricted Period, such Purchasing Agent either (x) represents and agrees on behalf of such affiliate (if any) to the effect set forth in sub-paragraphs (i), (ii) and (iii) of this paragraph or (y) agrees that it will obtain from such affiliate (if any) for the benefit of the Trust the representations and agreements contained in sub-paragraphs (i), (ii) and (iii) of this paragraph. Terms used in this paragraph have the meanings given to them by the Code and regulations thereunder.

“**Restricted Period**” as used in the preceding paragraph shall be the period beginning on the earlier of the first date the Notes of a Series are offered to persons other than the Initial Purchasers or the issue date and ending on the date 40 days after the issue date; provided, however, that all offers and sales of the Notes by the relevant Series Trust or any of the Initial Purchasers of the Notes held by the Trust or such Purchasing Agent as part of an unsold allotment shall be deemed to be made during the Restricted Period.

## Japan

Each Initial Purchaser understands that the Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act no. 25 of 1948, as amended), and such Initial Purchaser has represented, warranted and agreed, and each further Initial Purchaser appointed under the Program will be required to represent, warrant and agree, that it will not, directly or indirectly, offer or sell any Notes in Japan or to or for the benefit of any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except under circumstances which will result in compliance with all applicable laws, regulations and guidelines promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time.

## Public Offer Selling Restrictions Under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Initial Purchaser has represented and agreed, and each further Initial Purchaser appointed under the Program will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “**Relevant**

**Implementation Date**”) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Memorandum as contemplated by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (i) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive; or
- (ii) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Initial Purchaser or Initial Purchasers nominated by the Trust or any Series Trust for any such offer; or
- (iii) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes referred to in (i), (ii) or (iii) above shall require the Trust or any Series Trust or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “**offer of Notes to the public**” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe to the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression “the Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

This Offering Memorandum has been prepared on the basis that any offer of Notes in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of a placement contemplated in this Offering Memorandum as completed by the applicable Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Trust or any Series Trust or any Initial Purchaser to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. The Trust or any Series Trust or any Initial Purchaser has not authorized, nor does it authorize, the making of any offer of Notes in circumstances in which an obligation arises for the Trust or any Series Trust or any Initial Purchaser to publish or supplement a prospectus for such offer.

### **Selling Restrictions Addressing United Kingdom Securities Laws**

Each Initial Purchaser has represented, warranted and agreed, and each further Initial Purchaser appointed under the Program will be required to represent, warrant and agree, that:

- (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons (1) whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or (2) who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Trust or any Series Trust;

- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Trust or any Series Trust; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Irish Selling Restrictions**

In addition to the circumstances referred to in the section entitled “Public Offer Selling Restrictions Under the Prospectus Directive,” each Initial Purchaser appointed under the Program will be required to represent, warrant and agree, that it has not offered, sold, placed or underwritten and will not offer, sell, place or underwrite any Notes, or do anything in Ireland in respect of the Notes, otherwise than in conformity with the provisions of:

- the Prospectus Regulations and any rules issued by the Central Bank under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland (as amended);
- the European Communities (Markets in Financial Instruments) Regulations 2007 (as amended) of Ireland and it will conduct itself in accordance with any rules or codes of conduct and any conditions or requirements, or any other enactment, imposed or approved by the Central Bank; and
- the Market Abuse (Directive 2003/6/EC) Regulations 2005 and any rules issued by the Central Bank under Section 34 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland.

### **Hong Kong**

Each Initial Purchaser has represented, warranted and agreed, and each further Initial Purchaser appointed under the Program will be required to represent, warrant and agree, that:

- (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”)) other than: (a) to “professional investors” as defined in the SFO and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under that Ordinance.

### **Singapore**

Each Initial Purchaser has acknowledged, and each further Initial Purchaser appointed under the Program will be required to acknowledge, that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, each Initial Purchaser has represented, warranted and agreed, and each further Initial Purchaser appointed under the Program will be required to represent, warrant and agree, that it has not offered or sold any



Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) under Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to an offer referred to in Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is (i) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor, or (ii) a trust (where the trustee is not an accredited investor (as defined in Section 4(A) of the SFA)) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six (6) months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 except:

- (a) to an institutional investor (under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an offer that is made on terms that such securities of that corporation or such rights or interest in that trust are acquired at a consideration of not less than S\$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets and further for corporations, in accordance with the conditions specified in Section 275(1A) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law; or
- (d) as specified in Section 276(7) of the SFA.

## PURCHASE AND TRANSFER RESTRICTIONS

Other than with respect to the admission to trading of certain Notes on the relevant stock exchange as may be specified in the relevant Final Terms, no action has been or will be taken in any country or jurisdiction by the Series Trust or the Initial Purchasers that would permit a public offering of the Notes, or possession or distribution of any offering material in relation thereto, in any country or jurisdiction where action for that purpose is required. Persons into whose hands the Offering Memorandum or any Final Terms comes are required by the Series Trust and the Initial Purchasers to comply with all applicable laws and regulations, including anti-money laundering rules, applicable to the issuance and sale of securities in each country or jurisdiction in or from which they purchase, offer, sell or deliver the Notes or have in their possession or distribute such offering material, in all cases at their own expense.

The Purchase Agreement provides that the Initial Purchasers shall not be bound by any of the restrictions relating to any specific jurisdiction (set out above) to the extent that such restrictions shall, as a result of change(s) in, or change(s) in official interpretation of, after the date hereof, applicable laws and regulations, no longer be applicable but without prejudice to the obligations of the Initial Purchasers described in the paragraph headed “General” above.

Selling restrictions may be supplemented or modified with the agreement of the relevant Series Trust. Any such supplement or modification will be set out in a supplement to this document.

Each purchaser of a beneficial interest in the Notes will be deemed to have represented, warranted and agreed that it understands that:

- The Notes have not been and will not be registered under the Securities Act or any state securities laws and may not be offered, sold, pledged or otherwise transferred except in accordance with applicable securities laws and the following provisions.
- Neither the Trust nor the Series Trust has been or will be registered as an investment company under the Investment Company Act of 1940, as amended.
- The Notes may not be transferred to, or acquired and held by, any person that is, or is acting on behalf of or investing the assets of, a Plan or a governmental, church or foreign plan that is subject to any Similar Laws unless the purchase, holding and disposition of the Notes, and the indirect purchase, holding and disposition of an interest in any Funding Agreement, or other assets in the Pledged Estate, will not constitute or result in (A) a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code (or, in the case of a governmental, church or foreign plan, any Similar Laws) by reason of the exemptive relief available under one or more applicable statutory or administrative exemptions, or (B) any other violation of ERISA or Similar Laws.
- Unless the Series Trust determines otherwise in accordance with applicable law, certificates representing the Notes will bear a legend reflecting these representations and agreements.

For 40 days following the completion of the distribution of the Notes of a Series, certificates representing the Notes sold pursuant to Regulation S will have legends regarding agreements of purchasers to the following effect:

- If, prior to 40 days after the distribution of the Notes is complete, the purchaser decides to offer, sell, pledge or otherwise transfer such Notes, such Notes may be offered, sold, pledged or otherwise transferred only (a)(i) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (ii) in compliance with Rule 144A under the Securities Act to an institutional buyer that the seller reasonably believes is a Qualified Institutional Buyer within the meaning of Rule 144A purchasing for its own account or for the account of a Qualified Institutional Buyer, whom the seller has informed that the resale or transfer is being made in

reliance on Rule 144A, and (b) in accordance with all applicable securities laws of the states of the United States.

In addition, each purchaser of a beneficial interest in the Notes sold pursuant to Rule 144A will be deemed to have represented, warranted and agreed that:

- If it should sell or transfer the Notes it will only do so in compliance with the Securities Act and other applicable laws and only (i) in compliance with Rule 144A to an institutional investor that the seller reasonably believes is a Qualified Institutional Buyer within the meaning of Rule 144A purchasing for its own account or for the account of a Qualified Institutional Buyer, whom the seller has informed, in each case, that the resale or transfer is being made in reliance on rule 144A, (ii) in an off-shore transaction in accordance with Rule 903 or 904 of Regulation S under the Securities Act or (iii) pursuant to any other exemption from the registration requirements of the Securities Act, subject to the receipt by the Series Trust or the Indenture Trustee of an opinion of counsel or such other evidence which they may reasonably require that such resale or transfer is in compliance with the Securities Act.
- It is a Qualified Institutional Buyer within the meaning of Rule 144A and it is acquiring such Notes for its own account or for the account of a Qualified Institutional Buyer; it is aware, and each beneficial owner of such Notes has been advised that the sale of such Notes to it is being made in reliance on Rule 144A.
- It acknowledges that the Series Trust, the Initial Purchasers and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.
- If it is acquiring any Notes for the account of one or more Qualified Institutional Buyers, it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations, and agreements on behalf of each such account.

Bearer Notes are subject to United States federal tax law requirements.

The following legends will appear on any Notes, whether global or definitive:

**THE NOTES REPRESENTED BY THIS CERTIFICATE AND ANY BENEFICIAL INTEREST IN THIS CERTIFICATE SHALL NOT BE OFFERED, SOLD, DELIVERED, PLEDGED OR OTHERWISE TRANSFERRED TO A PERSON WHO IS AN INSURER DOMICILED IN THE STATE OF ARKANSAS, A HEALTH MAINTENANCE ORGANIZATION, FARMERS' MUTUAL AID ASSOCIATION OR OTHER ARKANSAS DOMESTIC COMPANY REGULATED BY THE ARKANSAS INSURANCE DEPARTMENT. ANY PERSON DESCRIBED IN THE PRECEDING SENTENCE WHO ACQUIRES THE NOTES REPRESENTED BY THIS CERTIFICATE OR ANY BENEFICIAL INTEREST IN THIS CERTIFICATE SHALL NOT BE ENTITLED TO RECEIVE ANY PAYMENTS THEREUNDER.**

**BY ITS ACCEPTANCE OF THE NOTES REPRESENTED BY THIS CERTIFICATE, EACH NOTEHOLDER SHALL BE DEEMED TO HAVE REPRESENTED TO THE ISSUER THAT (A) SUCH NOTEHOLDER EITHER (X) IS NOT, AND IS NOT ACTING ON BEHALF OF OR INVESTING THE ASSETS OF, (I) AN EMPLOYEE BENEFIT PLAN OR OTHER PLAN OR RETIREMENT ARRANGEMENT THAT IS SUBJECT TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), OR SECTION 4975 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"), OR (II) A GOVERNMENTAL, CHURCH OR FOREIGN PLAN SUBJECT TO PROVISIONS OF NON-U.S., FEDERAL, STATE OR LOCAL LAW SUBSTANTIALLY SIMILAR TO SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (COLLECTIVELY "SIMILAR LAWS"), OR (Y) ITS ACQUISITION, HOLDING AND DISPOSITION OF THE NOTES OR ANY BENEFICIAL INTEREST THEREIN, AND ITS INDIRECT HOLDING; ACQUISITION AND DISPOSITION OF**

**AN INTEREST IN ANY FUNDING AGREEMENT OR OTHER ASSETS IN THE PLEDGED ESTATE, WILL NOT RESULT IN (I) A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL, CHURCH OR FOREIGN PLAN, ANY SIMILAR LAWS) BY REASON OF THE EXEMPTIVE RELIEF AVAILABLE UNDER ONE OR MORE APPLICABLE STATUTORY OR ADMINISTRATIVE EXEMPTIONS, OR (II) ANY OTHER VIOLATION OF ERISA OR SIMILAR LAWS.**

The following legend will also appear on any Notes in global bearer form and any related coupons:

**ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.**

### **LEGAL MATTERS**

Certain matters will be passed on for Jackson by Willkie Farr & Gallagher LLP, and for the Trust and the relevant Series Trusts by Richards, Layton & Finger, P.A. (as to Delaware law). Certain matters regarding the Funding Agreements will be passed on for Jackson by Thomas J. Meyer, Senior Vice President and General Counsel of Jackson (as to Michigan law). Certain matters will be passed on for the Initial Purchasers, the Trust and each Series Trust by Sidley Austin LLP.

### **GENERAL INFORMATION**

#### **Admission to Trading of the Notes**

Application has been made to the Irish Stock Exchange for the Notes issued under the Program during the period of twelve months from the date of this Offering Memorandum to be admitted to the Official List and to trading on its regulated market. Notes may also be (i) admitted to trading on another regulated market, (ii) admitted to trading on a securities exchange which is not a regulated market or (iii) not admitted to trading on any regulated market or any other securities exchange.

Application has been made for admission of the Notes to trading on the Irish Stock Exchange by the Trust through the Irish Listing Agent. The Irish Listing Agent is acting solely in its capacity as listing agent for the Trust in connection with the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

If a European or national legislation is adopted and is implemented or takes effect in Ireland in a manner that would require the Trust and/or Jackson to publish or produce its financial statements according to accounting principles or standards that are different from, in the case of the Trust, U.S. GAAP or, in the case of Jackson, SAP, or that would otherwise impose requirements on the Trust that the Trust in good faith determines are not reasonable, the Trust may de-list any Notes admitted to trading on the Irish Stock Exchange. The Trust will use its reasonable best efforts to obtain an alternative admission to listing, trading and/or quotation for the Notes by another listing authority, exchange and/or system, within or outside the European Union, as it may decide. If such an alternative admission is not available to the Trust, or, in the opinion of the Trust, cannot reasonably be effected or maintained, an alternative admission may not be obtained. Notice of any de-listing and/or alternative admission will be given as described in the Description of the Notes.

However, the Notes may be issued pursuant to the Program which will not be admitted to trading on the Irish Stock Exchange or any other stock exchange, or the Notes may be issued pursuant to the Program which will be admitted to trading on any such stock exchange as the Trust, the relevant Series Trust and the Initial Purchasers may agree.

## **Authorizations**

The establishment of, and the Trust's ongoing activities under, the Program were authorized by the Trust on April 24, 2001. Jackson is authorized to issue the Funding Agreements contemplated under the Program pursuant to a resolution of the Board of Directors of Jackson passed on March 15, 2001. The increase in aggregate amount of Funding Agreements under the Program was authorized by a resolution of the Board of Directors of Jackson passed on May 17, 2013.

## **Litigation**

Jackson is involved in litigation arising in the ordinary course of business. It is the opinion of management that the ultimate disposition of such litigation will not have a material adverse affect on Jackson's financial condition or results of operations. Jackson has been named in civil litigation proceedings, which appear to be substantially similar to other class action litigation brought against many life insurers alleging misconduct in the sale and administration of insurance products. Jackson generally accrues for legal contingencies once the contingency is deemed to be probable and reasonably estimable. Accordingly, at December 31, 2013 and 2012, Jackson had recorded accruals totaling \$18.4 million and \$32.9 million, respectively.

Except as disclosed in this Offering Memorandum, the Trust is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trust is aware) in the twelve months preceding the date of this Offering Memorandum which may have or have in such period had a significant effect on the financial position or profitability of the Trust.

Except as disclosed in this Offering Memorandum, Jackson is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Jackson is aware) in the twelve months preceding the date of this Offering Memorandum which may have or have in such period had a significant effect on the financial position or profitability of the Jackson.

## **No Material Adverse Change**

Except as disclosed in this Offering Memorandum, as of the date of this Offering Memorandum, there has been no material adverse change in the financial position or prospects of Jackson since December 31, 2013 (the date of the last published annual audited financial statements of Jackson) and no material adverse change in the financial position of the Trust since its creation and formation.

## **Notices**

All notices shall be deemed to have been given upon (i) the mailing by first class mail, postage prepaid, of such notices to each holder of the Registered Notes of any series at their registered addresses as recorded in the register of Notes for such series, (ii) publication in a leading daily newspaper having general circulation in London (expected to be the *Financial Times*) for holders of Bearer Notes, and (iii) so long as the Notes of a Series Trust are admitted to trading on the regulated market of the Irish Stock Exchange and it is required by the guidelines of the Irish Stock Exchange, publication of such notice to each holder of the Notes of such Series Trust in English in a leading newspaper having general circulation in Ireland (which is expected to be the *Irish Times*) or, if such publication is not practicable, in one other leading English language daily newspaper with general circulation in Europe, such newspaper being published on each business day in morning editions, whether or not it shall be published in Saturday, Sunday or holiday editions.

## **Independent Auditors**

The audited statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2013 and 2012 and the related statutory statements of operations, capital and surplus and cash flows of Jackson for each of the years ended December 31, 2013 and 2012 included in this Offering Memorandum have been audited by KPMG LLP, independent auditors and a registered member of the PCAOB (United States), as stated in the reports appearing herein in accordance with auditing standards generally accepted in the United States of America. KPMG

LLP has no material interest in the Trust or Jackson. The independent auditors' report with respect to the December 31, 2013 and 2012 statutory financial statements, included within this Offering Memorandum, contains an Auditors' Responsibility paragraph.

The independent auditors' report on the December 31, 2013 and 2012 statutory financial statements, included within this Offering Memorandum, describes that the statutory financial statements do not present fairly in conformity with U.S. generally accepted accounting principles, the financial position, results of operations, or cash flows of Jackson, and contains explanatory paragraphs describing that Jackson prepares its statutory financial statements using accounting practices prescribed or permitted by the DIFS, which practices differ from the National Association of Insurance Commissioners' statutory accounting practices. The independent auditors report states, that based on Jackson's audits and the report of the other auditors, the statutory financial statements present fairly, in all material respects, the admitted assets, liabilities, capital and surplus of Jackson as of December 31, 2013 and 2012, and the results of operations and its cash flows for the years then ended in accordance with the statutory accounting practices prescribed or permitted by the DIFS. Such financial statements have been included in this Offering Memorandum in reliance upon the report of such firm. Jackson does not publish statutory consolidated financial statements.

### **Transferability**

The Notes are freely transferable and no transaction through the Irish Stock Exchange can be cancelled, subject to the selling restrictions described in this Offering Memorandum.

### **Clearing Systems**

The Notes to be sold outside the United States in reliance on Regulation S have been accepted for clearance through Euroclear and Clearstream. The appropriate common code and the ISIN in relation to the Notes of each series will be specified in the Final Terms relating thereto. In addition, the Series Trust will make an application with respect to the Notes to be accepted for trading in book-entry form by DTC. The CUSIP numbers for each series of Registered Notes, together with the relevant ISIN and common code, will be specified in the relevant Final Terms. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Notes for clearance together with any further appropriate information.

### **Available Information**

For so long as the Program remains in effect or any Notes shall be outstanding, each person to whom a copy of this Offering Memorandum has been delivered, upon the request of such person, can obtain electronic copies of the following documents free of charge from the principal office in Ireland of the Irish Paying Agent at Citibank International plc, 1 North Wall Quay, Dublin 1, Ireland:

- (a) this Offering Memorandum;
- (b) the Articles of Incorporation and By-Laws of Jackson;
- (c) the Amended and Restated Indenture, the relevant Series Indenture, the relevant Notes, the relevant Beneficial Interest Certificate, the Certificate of Trust, the Master Trust Agreement and the relevant Series Trust Agreement;
- (d) the annual audited statutory financial statements of Jackson filed with DIFS as of and for the years ended December 31, 2013 and 2012 and all annual audited statutory financial statements of Jackson filed with DIFS after the date hereof, together with any notes thereto;
- (e) all annual unaudited statutory statements of Jackson and supplements thereto filed with DIFS after the date hereof;

- (f) the quarterly unaudited statutory financial statements as of and for the periods ended June 30, 2014 and 2013 and all unaudited quarterly statutory statements of Jackson and supplements thereto filed with DIFS or otherwise made publicly available by Jackson after the date hereof;
- (g) any amendments and supplements to this Offering Memorandum that remain in effect at the time of such request and that have not been modified or superseded by any other amendment, supplement or document incorporated by reference in this Offering Memorandum;
- (h) all financial statements of the Trust and the relevant Series Trust prepared after the date hereof, if any;
- (i) a copy of each Funding Agreement relating to any Series of Notes listed on any stock exchange (provided, that, with respect to the offering of any Series of Notes not listed on any stock exchange, a copy of each Funding Agreement relating to such Series of Notes will be available for inspection by a Holder of any Notes of such Series); and
- (j) each Final Terms relating to any Series of Notes listed on any stock exchange prepared by the Trust from time to time (provided, that, with respect to the offering of any Series of Notes not listed on any stock exchange, each Final Terms relating to such Series of Notes will be available for inspection and can be obtained free of charge by a Holder of any Notes of such Series).

The Trust has undertaken, in connection with the admission of the Notes to trading on the regulated market of the Irish Stock Exchange, that if there shall occur any adverse change in the business or financial position of the Trust or Jackson or any change in the information set out under “Description of the Notes” that is material in the context of issuance of Notes under the Program or in the event that there is a significant new factor, material mistake or inaccuracy relating to information contained in the Offering Memorandum which is capable of affecting the assessment of Notes under the Program, the Trust will prepare or procure the preparation of, and make available, an amendment or supplement to this Offering Memorandum or publish a new Offering Memorandum, as the case may be for use in connection with any subsequent issue by the Trust of Notes to be admitted to trading on the regulated market of the Irish Stock Exchange and shall supply to each Initial Purchaser copies of such document as such Initial Purchaser may reasonably request.

The Trust is not subject to the periodic reporting requirements under the Exchange Act. Upon any request by any holder of Notes offered or sold by the Initial Purchasers pursuant to Rule 144A, the Trust has agreed to furnish to the Initial Purchasers, any such holder and any prospective purchaser designated by such Initial Purchaser or holder the information required to be delivered under Rule 144A(d)(4) under the Securities Act as it relates to Jackson or to the Trust.

Requests for available information may be made by contacting the Trust at its offices c/o Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington Delaware 19890-0001. In addition, physical copies of such documents will be available free of charge from the principal office of the Irish Paying Agent in Ireland for Notes admitted to trading on the regulated market of the Irish Stock Exchange and from the relevant Paying Agent(s) with respect to Notes not listed on any securities exchange.

Delaware law does not require that the Trust or any Series Trust prepare financial statements. Accordingly, no financial statements have been or will be prepared with respect to the Trust or any Series Trust. If and when prepared, electronic copies of the financial statements of the Trust generally and with respect to any Series Trust will be made available free of charge from the Trust at its offices c/o Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington, Delaware 19890-0001, and such financial statements will also be available free of charge from the principal office of the Irish Paying Agent for prospective holders of the Notes admitted to trading on the Irish Stock Exchange and from the principal office of the Paying Agent(s) for prospective holders of Notes not admitted to trading on the Irish Stock Exchange.

This Offering Memorandum and any amendment or supplement to this Offering Memorandum or new offering memorandum, as the case may be, will be published on the website of the Central Bank of Ireland at [www.centralbank.ie](http://www.centralbank.ie) for a period of 12 months following the date of this Offering Memorandum.

The information on any web site mentioned in this Offering Memorandum or any web site directly or indirectly linked to any web site mentioned in this Offering Memorandum is not a part of, or incorporated by reference into, this Offering Memorandum and you should not rely on it.

Other than as set forth in this Offering Memorandum under “Available Information” or as provided in any supplement hereto, the Trust does not intend to provide any post-issuance information in relation to any issue of Notes or Funding Agreement.

#### **Financial Services and Markets Act 2000**

Any Notes in respect of which the issue proceeds are received by the Series Trust in the United Kingdom and which have a maturity of less than one year must (a) have a minimum denomination of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses; or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or (b) be issued in other circumstances which do not constitute a contravention of Section 19 of the FSMA by the Series Trust.



## FORM OF FINAL TERMS

*The following is a form of Final Terms for an issue of Notes by Jackson National Life Global Funding under the Global Debt Issuance Program.*

Final Terms No. [ ] dated \_\_\_\_\_

Series No.: [ ]

### Jackson National Life Global Funding

issue of [Aggregate Principal Amount of Tranche] [Title of Notes] secured by a Funding Agreement issued by

### Jackson National Life Insurance Company

#### under the \$12,000,000,000 Global Funding Program

These Final Terms should be read in conjunction with the accompanying Offering Memorandum dated September 5, 2014 [as supplemented by the [ ] dated [ ]](collectively, [the “**Offering Memorandum**”]) relating to the \$12,000,000,000 Global Funding Program of Jackson National Life Global Funding (the “**Trust**”). [The Central Bank of Ireland has approved the Offering Memorandum under Part 7 of the Prospectus Directive (Directive 2003/71/EC) Regulations 2005 (the “**Irish Regulations**”) as having been drawn up in accordance with the Irish Regulations and Commission Regulation (EC No 809/2004)]<sup>1</sup>.

#### PART A — CONTRACTUAL TERMS

Terms used herein and not otherwise defined herein shall have the meanings ascribed in the Offering Memorandum [which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the “**Prospectus Directive**”)]<sup>1</sup>. This document [constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and]<sup>1</sup> must be read in conjunction with the Offering Memorandum. Full information regarding the Trust and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Memorandum. The Offering Memorandum is available for viewing in physical format during normal business hours at the registered office of the Trust located at c/o Wilmington Trust Company, Rodney Square North, 1100 North Market Street, Wilmington Delaware 19890-0001. In addition, copies of the Offering Memorandum and these Final Terms will be available in physical format free of charge [from the principal office of the Irish Paying Agent for Notes admitted to trading on the regulated market of the Irish Stock Exchange and]<sup>1</sup> from the Paying Agent with respect to Notes not listed on any securities exchange. [In addition, the Offering Memorandum will be published on the website of the Central Bank of Ireland at [www.centralbank.ie](http://www.centralbank.ie).]<sup>1</sup>

#### PROVISIONS RELATING TO NOTES

1. (i) Issuer: Jackson National Life Global Funding
  - (ii) Funding Agreement Provider: Jackson National Life Insurance Company (“**Jackson**”)
  2. (i) Series Number: [ ]
  - (ii) Tranche Number: [ ]
- [If fungible with an existing

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<sup>1</sup>Prospectus Directive references are to be removed for unlisted Notes.

Series, details of that Series, including the date on which the Notes become fungible).]

3. Specified Currency or Currencies: [    ]
4. Aggregate Nominal Amount of Notes admitted to trading: [    ]
  - (i) Series: [    ]
  - (ii) Tranche: [    ]
5. Issue Price: [    ] per cent of the Aggregate Principal Amount [plus accrued interest from *[Insert date]* (if applicable)]
6. Net Proceeds: [    ] after payment of underwriting commissions and certain expenses
7. Specified Denominations: [    ]  
[    ]
8. [(i)] Issue Date: [    ]  
[(ii)] Interest Commencement Date: [    ]/Not Applicable
9. Maturity Date: *[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]*
10. Settlement Date: [    ]
11. Interest Basis: [[    ]% Fixed Rate]  
[CD Rate / CMT Rate / Commercial Paper Rate / Federal Funds Rate / EURIBOR / LIBOR / Prime Rate / Treasury Rate +/- [    ]% Floating Rate]  
[Zero Coupon]  
(further particulars specified below)
12. Amortization Schedule: Amount of Each Instalment, Date on Which each Payment is to be Made: [Not Applicable / *specify instalment dates and dates on which payments will be made*]
13. Redemption/Payment Basis: [Redemption at par]  
[Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100]% of their nominal amount]
14. Put/Call Options: [Investor Put]  
[Issuer Call]  
[(further particulars specified below)]
15. Status of the Notes: [Secured Non-Recourse Notes]
16. Method of distribution: [Syndicated/Non-syndicated]

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17. Fixed Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Rate: [ ] per cent per annum [payable [annually / semi-annually / quarterly / monthly] in arrear]
  - (ii) Interest Payment Date(s): [ ] in each year [adjusted in accordance with the Business Day Convention specified below /not adjusted]
  - (iii) Fixed Coupon Amount[(s)]: [ ] per [ ] in Nominal Amount
  - (iv) Broken Amount(s): *[Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]*
  - (v) Day Count Fraction: [Actual/365 / Actual/Actual(Historical) / Actual/365 (fixed) / Actual/360 / 30/360 / 30E/360 / Actual/Actual (Bond)]
  - (vi) Determination Dates: [ ] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual ([ISMA]))*
  - (vii) Business Day Convention [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / FRN Convention]
18. Floating Rate Note Provisions [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Base Rate: [CD Rate / CMT Rate / Commercial Paper Rate / Federal Funds Rate / EURIBOR / LIBOR / Prime Rate / Treasury Rate]
  - (ii) Initial Interest Rate: [ ]
  - (iii) Interest Reset Period: [ ]
  - (iv) Interest Reset Date: [ ]
  - (v) Interest Determination Date [ ]
  - (vi) Interest Period(s) [ ]
  - (vii) Specified Interest Payment Dates: [ ]
  - (viii) Business Day Convention: [Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / FRN Convention]

- Convention]
- (ix) Business Centre(s): [    ]
- (x) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination]
- (xi) Calculation Agent, if any, for calculating the Interest Rate(s) and Interest Amount(s) (if not the Indenture Trustee): [    ]
- (xii) Screen Rate Determination:
- Reference Rate: [CD Rate / CMT Rate / Commercial Paper Rate / Federal Funds Rate / EURIBOR / LIBOR / Prime Rate / Treasury Rate +/- [    ]% Floating Rate]
  - Interest Determination Date(s): [    ]
  - Relevant Screen Page: [    ]
- (xiii) ISDA Determination:
- Floating Rate Option: [    ]
  - Designated Maturity: [    ]
  - Reset Date: [    ]
- (xiv) Margin(s): [ +/- ] [    ] per cent per annum
- (xv) Minimum Interest Rate: [    ] per cent per annum
- (xvi) Maximum Interest Rate: [    ] per cent per annum
- (xvii) Day Count Fraction: [Actual/365 / Actual/Actual(Historical) / Actual/365 (fixed) / Actual /360 / 30/360 / 30E/360 / Actual/Actual (Bond)]
19. Zero Coupon Note Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) [Amortisation / Accrual] Yield: [    ] per cent per annum
- (ii) Reference Price: [    ]
20. Dual Currency Note Provisions [Applicable/Not Applicable]  
(If not applicable, delete the remaining sub-paragraphs of

*this paragraph)*

- (i) Rate of Exchange: [    ]
- (ii) Calculation Agent, if any,  
responsible for calculating  
the principal and/or interest  
due: [    ]
- (iii) Person at whose option  
Specified Currency(ies) is/are  
payable: [    ]

## **PROVISIONS RELATING TO REDEMPTION**

21. Call Option [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of  
this paragraph)*

- (i) Optional Redemption  
Date(s): [    ]
- (ii) Optional Redemption  
Amount(s): [    ] per Note of [    ] specified denomination
- (iii) If redeemable in part:
  - (a) Minimum Redemption  
Amount: [    ]
  - (b) Maximum Redemption  
Amount: [    ]
- (iv) Notice period [    ]

22. Put Option [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of  
this paragraph)*

- (i) Optional Redemption  
Date(s): [    ]
- (ii) Optional Redemption  
Amount(s): [    ] per Note of [    ] specified denomination
- (iii) Notice period: [    ]

23. Final Redemption Amount of each  
Note [    ] per Note of [    ] specified denomination / other]

24. Early Redemption Amount

Early Redemption Amount(s) of  
each Note payable on redemption  
for taxation reasons or on event of  
default or other early redemption: [    ]

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

### 25. Form of Notes:

#### Registered Notes:

[The Notes will be issued in registered form. Rule 144A Notes will be represented by a DTC Global Note. Regulation S Notes will initially be represented by a Temporary Registered Global Note. Beneficial interests in the Temporary Global Registered Note will be exchanged for beneficial interests in a Permanent Registered Global Note on the 40<sup>th</sup> day after the completion of the distribution of the Notes. Interests in a Registered Global Note will be exchangeable for Definitive Registered Notes only under circumstances described in the Offering Memorandum under “Description of the Notes—Form of Notes and Registration—Registered Notes”. Beneficial interest in the Notes will not be exchangeable for Bearer Notes.]

#### Bearer Notes:

[The Notes will be issued in bearer form (but will be treated as being issued in registered form for U.S. federal income tax purposes). Each series of Bearer Notes offered and sold outside the United States in reliance on Regulation S will initially be represented by a Regulation S Temporary Global Bearer Note and deposited on the issue date therefor with the Common Depository, as depository for Euroclear and/or Clearstream, or other relevant clearing system. Each Regulation S Temporary Global Registered Note and Regulation S Temporary Global Bearer Note will be exchangeable for a permanent global Registered Note or a permanent global Bearer Note, respectively, beginning after the later of (i) the Release Date and (ii) the first date on which requisite certifications as to non-U.S. beneficial ownership of the relevant Notes ownership are provided to the relevant Paying Agents. The “**Release Date**” is the date 40 days after the later of (i) the date the relevant Notes were first offered to persons other than Initial Purchasers and (ii) the relevant closing date for the Notes. Subject to certain restrictions, (i) an interest in a Rule 144A Global Note may be exchanged for Definitive Registered Notes; and (ii) an interest in a Regulation S Temporary Global Registered Note may be exchanged for a Regulation S Permanent Global Registered Note or Definitive Registered Notes. Registered Notes may not be exchanged for Bearer Notes. See “Description of the Notes—Global Notes.”]

26. Financial Centre(s) or other special provisions relating to Payment Dates:

[Not Applicable/(*Insert the date and place of payment, and not interest period end dates, to which items 15 (ii), 16(iv) and 18(ix) relates*)]

## **DISTRIBUTION**

27. (i) If syndicated, names of Managers:

[Not Applicable/*give names*]

- (ii) Stabilising Manager(s) (if any):

[Not Applicable/*give name*]

28. If non-syndicated, name of Dealer:

[Not Applicable/*give name*]

## **ADDITIONAL TERMS OF FUNDING AGREEMENT**

29. (i) Funding Agreement Provider: Jackson

- (ii) Funding Agreement Buyer: [Series Trust]

- (iii) Funding Agreement Number: [ ]

- (iv) Principal Amount: [ ]

- (v) Effective Date: [ ]

- (vi) Maturity Date: [ ]

## PART B – OTHER INFORMATION

### 1. LISTING

- (i) Listing: [The Irish Stock Exchange/ None]
- (ii) Admission to trading: [Application has been made for the Notes to be admitted to trading on the Irish Stock Exchange and trading on its regulated market of the [ ] with effect from [ ].] [Not Applicable.]
- (iii) Estimate of total expenses related to admission to trading: [ ]

### 2. USE OF PROCEEDS

The proceeds from the current sale of the Notes, net of certain expenses, underwriting discounts and commissions or similar applicable compensation will be used by the Trust to purchase the Relevant Funding Agreement from Jackson.

### 3. RATINGS

Ratings: The Notes to be issued are expected to be rated:

[S&P: [ ]]

[Moody's: [ ]]

[Fitch: [ ]]

### 4. [NOTIFICATION]

The [include name of competent authority in EEA home Member State] [has been requested to provide/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Global Debt Issuance Program and the second alternative for subsequent issues] the [include names of competent authorities of host Member States] with a certificate of approval attesting that the Offering Memorandum has been drawn up in accordance with the Prospectus Directive.]<sup>1</sup>

### 5. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE AND THE OFFER OF THE NOTES

*(It is required that a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest be included in the Final Terms.)*

[Except as discussed in “Plan of Distribution” in the Offering Memorandum, so far as the Trust is aware, no person involved in the offer of the Notes has an interest material to the issue and the offer of the Notes.]

### 6. [Fixed Rate Notes only – YIELD]

Indication of yield: [ ]

[The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

### 7. OPERATIONAL INFORMATION

CUSIP Number(s): [ ]



ISIN Code(s):	[ ]
Common Code(s):	[ ]
Relevant Clearing System(s):	[Depository Trust Company/Euroclear and Clearstream]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[ ]
Tradeable amount:	[So long as the Notes are represented by a Global Note and the relevant clearing system(s) so permit, such Notes shall be tradeable only in principal amounts of at least the Specified Denomination, provided hereon and integral multiples of €1,000 thereafter (or its equivalent in another currency).]

#### **LISTING AND ADMISSION TO TRADING APPLICATION**

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the \$12,000,000,000 Global Funding Program of Jackson National Life Global Funding.

#### **RESPONSIBILITY**

The Trust and Jackson accept responsibility for the information contained in these Final Terms. Each of the Trust and Jackson confirms that, having taken all reasonable care to ensure that such is the case, the information given in these Final Terms is, to the best of their knowledge, in accordance with the facts and does not omit anything likely to affect its import.

Signed on behalf of the Issuer:

By: .....  
Duly authorised

Signed on behalf of the Funding Agreement Provider:

By: .....  
Duly authorised

## **FINANCIAL STATEMENTS**

### **Jackson National Life Insurance Company**

#### **Audited Financial Statements — Statutory Basis**

**Years ended December 31, 2013 and 2012**

#### **Interim Unaudited Financial Statements — Statutory Basis**

**Six Months ended June 30, 2014 and 2013**

**and Other Financial Information**

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## **SUMMARY OF PRINCIPAL DIFFERENCES BETWEEN STATUTORY ACCOUNTING PRINCIPLES AND IFRS**

Statutory financial information for Jackson has been prepared in accordance with accounting practices prescribed or permitted by the Michigan Department of Insurance and Financial Services (“**statutory accounting practices**” or “**SAP**”). Statutory accounting practices differ in certain respects, which are in some cases material, from International Financial Reporting Standards (“**IFRS**”). A description of significant differences between SAP and IFRS is provided below. This summary should not be construed as being exhaustive. Investors must rely on their own examination of Jackson and its financial information. Investors should consult their own professional advisors for an understanding of the differences between SAP and IFRS and how these differences might affect the financial information included or incorporated by reference herein. In addition, no attempt has been made to identify all classification, disclosure and presentation differences between SAP and IFRS that would affect the manner in which transactions and events are presented in the financial statements or notes thereto. No attempt has been made to identify future differences between SAP and IFRS as the result of prescribed changes in standards and regulations. In addition, regulatory bodies that promulgate SAP and IFRS have significant projects ongoing that could affect future comparisons between SAP and IFRS. Finally, no attempt has been made to identify all future differences between SAP and IFRS that may affect Jackson’s financial statements as a result of transactions or events that may occur in the future.

### **Principles of Consolidation**

- IFRS focuses on the concept of control to determine whether a subsidiary should be consolidated. Control exists when an entity has the power to influence the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Under SAP, subsidiaries and other controlled entities are not consolidated.

### **Financial Statement Presentation**

- The statutory Statement of Cash Flow is prepared under a prescribed format, which differs from the format prescribed by IFRS.
- The statutory financial statements have no presentation of comprehensive income.
- The statutory financial statements are restated to reflect a merger as if it had occurred on January 1 of the prior year; under IFRS, the operations of the acquired entity are included only from the acquisition date.

### **Invested Assets**

- Investments in bonds and preferred stocks are generally carried at amortized cost under statutory accounting practices with bonds in default carried at the lower of amortized cost or fair value. Under IFRS, investments in bonds are classified as either trading, held-to-maturity, available-for-sale or loans and receivables. Jackson’s investments are generally classified as available-for-sale and are reported at fair value with unrealized gains and losses reported as a component of equity. Certain investments classified as trading are reported at fair value and the related unrealized gains and losses are reported in profit and loss. Investments classified as loans and receivables are carried at amortized cost.
- IFRS also provides an option to elect to carry certain financial assets and liabilities at fair value through the income statement. The election must be made at the time of purchase and may not be revised until the disposal of the related asset or liability. Such an option is not available under SAP.

- For investments in limited partnerships and common stock in subsidiaries, under SAP, the reporting entity's proportionate share of undistributed earnings and losses of the investee are included as a direct adjustment to surplus. For IFRS reporting purposes, the reporting entity's proportionate share of the change in the investee's equity is recorded in profit and loss.

### **Investment Reserves**

- An interest maintenance reserve ("IMR") is established to capture realized investment gains and losses, net of tax, on the sale of fixed income investments resulting from changes in the general level of interest rates, and is amortized into income over the remaining years to expected maturity of the assets sold under statutory accounting practices; no such reserve is required under IFRS.
- Gains or losses resulting from market value adjustments ("MVA") on policies and contracts backed by assets that are valued at book / adjusted carrying value are deferred in the IMR and amortized in a manner consistent with the determination of the MVA.
- An asset valuation reserve ("AVR"), based upon a formula prescribed by the NAIC, is established as a liability to offset potential credit related investment losses, and changes in the AVR are charged or credited directly to surplus under statutory accounting practices; no such reserve is required under IFRS.

### **Impairment of Securities**

- For both SAP and IFRS, the bases of debt and equity securities are adjusted for impairments in value deemed to be other than temporary, with the associated realized loss reported in net income. For both SAP and IFRS, this determination is based on a wide range of factors including the amount of the decline, the financial condition and near-term prospects of the issuer, the amount of time the fair value has been less than amortized cost and Jackson's ability and intent to retain the investment for the period of time sufficient to allow for an anticipated recovery in value.
- IFRS requires that decreases in impairment losses on available-for-sale debt securities be recorded as recoveries of previous impairment if the decrease can be objectively related to an event occurring after the impairment loss was recognized and reflected in profit and loss. Under SAP, recognition of market recoveries on previously impaired securities is prohibited.

### **Derivatives**

- Under SAP, with respect to derivative instruments used for hedging purposes, carrying value, as well as the recognition of income and changes in fair value, are accounted for consistently with the hedged items; under IFRS, derivative instruments are carried at fair value with changes in fair value reflected in profit and loss.
- IFRS requires an embedded derivative to be separated from the host contract and accounted for separately except when the embedded derivative has characteristics and risks that are closely related to the host contract and for which the value is interdependent with the value of the insurance contract. SAP prohibits an embedded derivative from being separated from the host contract and accounted for separately.
- Assets and liabilities for certain derivative contracts are reported net for SAP, but are reported gross under IFRS.

### **Other Assets and Liabilities**

- Under SAP, surplus notes issued by Jackson are recorded as surplus rather than as a liability; such notes are recorded as debt under IFRS.

- Certain assets designated as non-admitted, are excluded from assets by a direct charge to surplus under SAP; under IFRS, such assets are carried on the balance sheet with appropriate valuation allowances.
- Recognition of the value of acquired insurance in force and goodwill are limited under SAP. Under IFRS, goodwill is not amortized, but is carried at its original value less any impairment charges taken as a result of periodic impairment evaluations.
- Under SAP, the surplus impact of reinsuring contracts in force prior to the effective date of the reinsurance agreement is charged or credited directly to surplus; under IFRS, the total impact is reflected in the income statement.

### **Insurance Contracts**

- Under IFRS, an insurance contract is defined as a “contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder”. As a result, all products, with the exception of certain institutional and immediate annuity business are classified as insurance for IFRS purposes. Under SAP, contracts that have any mortality and morbidity risk, regardless of significance, are classified as insurance contracts.
- Policy acquisition costs, such as commissions and other costs incurred in connection with acquiring new business, are expensed when incurred under SAP; under IFRS, such costs that are directly related to the sale are deferred and amortized either over the future expected gross profits or when premiums are earned for insurance contracts. Acquisition costs on non-insurance contracts (investment contracts) are limited to those costs that are incremental to the sale of the product and are included in the carrying amount of the liability.
- Premiums are generally recorded as revenue under SAP and the related benefits are recorded as an expense in the statement of income; under IFRS, only premiums and benefits on products designated as insurance products are reported as revenues and expenses. Certain of Jackson’s term certain annuity products are not classified as insurance contracts under IFRS and, as a result, are carried as deposits. Premiums and benefits on these products are not included in the income statement.
- Statutory policy reserves are based on prescribed mortality and interest requirements and without consideration of withdrawals and are reported net of reinsurance reserve credits; under IFRS, the reserves are reported gross and reinsurance reserve credits are reported as a recoverable from reinsurers asset.
- Separate account assets and liabilities, which represent assets and liabilities that are maintained by an insurance enterprise for the purpose of funding variable life and annuity contracts, pension plans and similar activities, are reported in the insurance enterprise’s financial statements as summary totals. Under IFRS, separate account assets and liabilities are presented with the general account assets and liabilities based on the underlying characteristics of the related assets and liabilities.
- The Commissioners’ Annuity Reserve Valuation Method (“**CARVM**”) expense allowance associated with statutory reserving practices for deferred variable annuities held in the separate accounts is reported in the general account as a negative liability. The CARVM expense allowance is not applicable under IFRS.

## **Taxes**

- Under SAP, a net deferred tax asset, for the tax effect of timing differences between book and tax assets and liabilities, is only reported as an admitted asset to the extent that it is realizable within three years, and represents less than 15% of capital and surplus (adjusted to exclude any net deferred tax assets, electronic data processing equipment (“**EDP**”) and operating system software and any net positive goodwill), with the change in net deferred tax asset or liability being recorded directly to surplus, subject to certain limitations. For IFRS reporting, the net deferred tax asset is only reduced to the extent that management does not expect sufficient taxable profit will be available against which the temporary difference could be utilized.
- Under SAP, the effect of a tax law or rate change is reflected in the period in which the change is enacted. Under IFRS, such changes are reported in the period the change is either enacted or “substantially enacted”.

## **SUMMARY OF PRINCIPAL DIFFERENCES BETWEEN STATUTORY ACCOUNTING PRINCIPLES AND U.S. GAAP**

Statutory financial information for Jackson has been prepared in accordance with accounting practices prescribed or permitted by the Michigan Department of Insurance and Financial Services (“**statutory accounting practices**” or “**SAP**”). Statutory accounting practices differ in certain respects, which in some cases may be material, from U.S. generally accepted accounting principles (“**U.S. GAAP**”). The significant differences are noted below:

### **Principles of Consolidation**

- The SAP financial statements of Jackson are not consolidated with those of its subsidiaries.

### **Financial Statement Presentation**

- The statutory Statement of Cash Flow is prepared under a prescribed format, which differs from the indirect format prescribed by U.S. GAAP.
- The statutory financial statements have no presentation of comprehensive income.
- The statutory financial statements are restated to reflect a merger as if it had occurred on January 1 of the prior year; under U.S. GAAP, the operations of the acquired entity are included only from the acquisition date.

### **Invested Assets**

- Investments in bonds and preferred stocks are generally carried at amortized cost under statutory accounting practices; under U.S. GAAP, investments in bonds and preferred stocks, other than those classified as held to maturity, are carried at fair value.
- For investments carried at fair value, changes in investment valuations are credited or charged in surplus; under U.S. GAAP, investments are generally carried at fair value (amortized cost for mortgage loans and policy loans), with changes in valuation recorded in other comprehensive income.
- Investments in subsidiaries or companies where Jackson has a controlling interest or is the primary beneficiary of a variable interest entity are reported as investments; under U.S. GAAP, such investments are consolidated.

### **Investment Reserves**

- An interest maintenance reserve (“**IMR**”) is established to capture realized investment gains and losses, net of tax, on the sale of fixed income investments resulting from changes in the general level of interest rates, and is amortized into income over the remaining years to expected maturity of the assets sold under statutory accounting practices; no such reserve is required under U.S. GAAP.
- Gains or losses resulting from market value adjustments (“**MVA**”) on policies and contracts backed by assets that are valued at book / adjusted carrying value are deferred in the IMR and amortized in a manner consistent with the determination of the MVA.
- An asset valuation reserve (“**AVR**”), based upon a formula prescribed by the NAIC, is established as a liability to offset potential credit related investment losses, and changes in the AVR are charged or credited directly to surplus under statutory accounting practices; no such reserve is required under U.S. GAAP.

## **Derivatives**

- Assets and liabilities for certain derivative contracts are reported net for SAP, but are reported gross under U.S. GAAP.
- For derivative instruments carried at fair value, changes in fair value are recorded directly to surplus. Under U.S. GAAP, derivative instruments are carried at fair value with changes in fair value generally recorded in income.
- SAP prohibits an embedded derivative from being separated from the host contract and accounted for separately. U.S. GAAP requires an embedded derivative to be separated from the host contract and accounted for separately except when the embedded derivative has characteristics and risks that are closely related to the host contract and for which the value is interdependent with the value of the insurance contract.

## **Other Assets and Liabilities**

- Surplus notes issued by Jackson are recorded as surplus rather than as a liability; such notes are recorded as debt under U.S. GAAP.
- Certain assets designated as non-admitted, are excluded from assets by a direct charge to surplus under statutory accounting practices; under U.S. GAAP, such assets are carried on the balance sheet with appropriate valuation allowances.
- Recognition of the value of acquired insurance in force and goodwill are limited under statutory accounting practices.
- The surplus impact of reinsuring contracts in force prior to the effective date of the reinsurance agreement is recorded directly to surplus; under U.S. GAAP, the total impact is reflected in the income statement.

## **Insurance Contracts**

- Policy acquisition costs, such as commissions and other costs incurred in connection with acquiring new business, are expensed when incurred under statutory accounting practices; under U.S. GAAP, such costs that are directly attributable to a successful sale are deferred and amortized either over the future expected gross profits or when premiums are earned.
- Premiums are generally recorded as revenue during the premium paying period of the contract under statutory accounting practices; under U.S. GAAP, for universal life, annuity and other investment contracts, revenues are only recorded for policy charges for the cost of insurance, policy administration and surrender charges assessed to policy account balances.
- Policy reserves are based on statutory mortality and interest requirements and without consideration of withdrawals and are reported net of reinsurance reserve credits under statutory accounting practices; under U.S. GAAP, the reserves are reported gross and reinsurance reserve credits are reported as a reinsurance recoverable asset.
- The Commissioners' Annuity Reserve Valuation Method ("CARVM") expense allowance associated with statutory reserving practices for deferred variable annuities held in the separate accounts is reported in the general account as a negative liability. The CARVM expense allowance is not applicable under U.S. GAAP.



## **Taxes**

- A net deferred tax asset, for the tax effect of timing differences between book and tax assets and liabilities, is only reported as an admitted asset to the extent that it is realizable within three years, and represents less than 15% of capital and surplus (adjusted to exclude any net deferred tax assets, electronic data processing equipment (“**EDP**”) and operating system software and any net positive goodwill), with the change in net deferred tax asset or liability being recorded directly to surplus, subject to certain limitations. Under U.S. GAAP, a deferred tax asset is recognized to the extent that net deductible amounts in future years would be recoverable.



**KPMG LLP**  
Aon Center  
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200 East Randolph Drive  
Chicago, IL 60601-6436

## **Independent Auditors' Report**

The Board of Directors and Stockholder  
Jackson National Life Insurance Company:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Jackson National Life Insurance Company, which comprise the statutory statements of admitted assets, liabilities, and capital and surplus as of December 31, 2013 and 2012, and the related statutory statements of operations, capital and surplus, and cash flow for the years then ended, and the related notes to the statutory financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with statutory accounting practices prescribed or permitted by the Michigan Department of Insurance and Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in note 2 to the financial statements, the financial statements are prepared by Jackson National Life Insurance Company using statutory accounting practices prescribed or permitted by the Michigan Department of Insurance and Financial Services, which is a basis of accounting other than



U.S. generally accepted accounting principles. Accordingly, the financial statements are not intended to be presented in accordance with U.S. generally accepted accounting principles.

The effects on the financial statements of the variances between the statutory accounting practices and U.S. generally accepted accounting principles also are described in note 2.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the variances between statutory accounting principles and U.S. generally accepted accounting principles discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statements referred to above do not present fairly, in accordance with U.S. generally accepted accounting principles, the financial position of Jackson National Life Insurance Company as of December 31, 2013 and 2012, or the results of its operations or its cash flows for the years then ended.

***Opinion on Statutory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and capital and surplus of Jackson National Life Insurance Company as of December 31, 2013 and 2012, and the results of its operations and its cash flow for the years then ended, in accordance with statutory accounting practices prescribed or permitted by the Michigan Department of Insurance and Financial Services described in note 2.

***Other Matter***

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information included in the accompanying Supplemental Schedule of Selected Financial Data, Supplemental Investment Risks Interrogatories, and Summary Investment Schedule is presented for purposes of additional analysis and is not a required part of the financial statements but is supplementary information required by the Michigan Department of Insurance and Financial Services. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ KPMG LLP

Chicago, Illinois  
April 21, 2014

**Jackson National Life Insurance Company**  
**Statutory Statements of Admitted Assets, Liabilities, Capital and Surplus**  
**December 31, 2013 and 2012**  
(In thousands, except per share information)

	<b>2013</b>	<b>2012</b>
<b>Admitted Assets</b>		
Bonds	\$ 45,406,807	\$ 45,468,633
Preferred stocks, at statement value (cost: 2013, \$382; 2012, \$1,386)	382	1,386
Common stocks - unaffiliated, at fair value (cost: 2013, \$422,584; 2012, \$315,184)	464,227	338,787
Common stocks - affiliated, on equity basis (cost: 2013, \$482,853; 2012, \$482,853)	372,677	318,811
Cash and short-term investments	349,124	443,197
Mortgage loans	6,066,903	5,521,251
Policy loans	4,360,855	4,263,356
Limited partnership interests	1,524,483	1,612,118
Real estate (net of \$5,000 encumbrance at 2013 and \$10,000 at 2012)	116,917	106,720
Derivatives	358,529	371,327
Other invested assets	94,971	183,985
Total cash and invested assets	59,115,875	58,629,571
Investment income due and accrued	780,490	768,007
Premiums deferred and uncollected	132,878	115,781
Federal income taxes receivable	128,737	235,484
Net deferred tax asset	648,794	770,445
Value of business acquired and goodwill	452,469	516,255
Amounts due from reinsurers	46,142	89,396
Other admitted assets	33,984	138,015
From separate accounts statement	102,494,340	75,557,457
<b>Total admitted assets</b>	<b>\$ 163,833,710</b>	<b>\$ 136,820,411</b>
<b>Liabilities, Capital and Surplus</b>		
<b>Liabilities:</b>		
Aggregate reserves for life, accident and health and annuity contracts	\$ 49,822,583	\$ 50,213,151
Liability for deposit-type contracts	5,425,076	5,364,453
Policy and contract claims	681,250	634,832
Other contract liabilities	34,860	39,681
Remittances in process	44,246	57,464
Interest maintenance reserve	403,173	409,741
Commissions payable and expense allowances on reinsurance assumed	91,132	75,969
Asset valuation reserve	435,364	400,240
Funds held under reinsurance treaties with unauthorized and certified reinsurers	3,379,532	3,229,459
General expenses and taxes due and accrued	222,543	245,602
Accrued transfers to separate accounts	(4,863,317)	(4,225,395)
Borrowed money and interest thereon	200,011	-
Repurchase agreements	415,271	-
Payable for securities lending	86,998	144,125
Derivatives	877	(159,413)
Other liabilities	605,952	536,887
From separate accounts statement	102,494,340	75,557,457
Total liabilities	159,479,891	132,524,253
<b>Capital and surplus:</b>		
Capital stock (par value \$1.15 per share; 50,000 shares authorized; 12,000 shares issued and outstanding)	13,800	13,800
Surplus notes	249,401	249,377
Gross paid-in and contributed surplus	3,233,811	3,233,811
Special surplus funds	1,250	(580,531)
Unassigned surplus	855,557	1,379,701
Total capital and surplus	4,353,819	4,296,158
<b>Total liabilities, capital and surplus</b>	<b>\$ 163,833,710</b>	<b>\$ 136,820,411</b>

See accompanying Notes to Statutory Financial Statements.

**Jackson National Life Insurance Company**  
**Statutory Statements of Operations**  
**For the Years Ended December 31, 2013 and 2012**  
(In thousands)

	<b>2013</b>	<b>2012</b>
<b>Income:</b>		
Premiums and annuity considerations	\$ 22,736,186	\$ 18,356,301
Considerations for supplementary contracts with life contingencies	-	28,092
Net investment income	3,659,891	3,689,118
Amortization of interest maintenance reserve	174,784	199,622
Commissions and expense allowances on reinsurance ceded	58,055	392,175
Fee income from separate accounts	2,217,511	1,690,382
Other income	197,845	459,759
Total income	<u>29,044,273</u>	<u>24,815,449</u>
<b>Benefits and other deductions:</b>		
Death and other benefits	11,332,008	10,294,322
Decrease in aggregate reserves	(390,569)	(3,470,411)
Commissions	1,650,269	1,776,387
General insurance expenses	560,011	623,624
Taxes, licenses and fees	59,431	52,389
Expenses on Aurora Modco Agreement	-	105,391
Amortization of value of business acquired and goodwill	82,870	19,414
Interest on funds withheld treaties	296,693	215,629
Change in loading and other	18,383	(2,097)
Net transfers to separate accounts	12,516,044	12,436,062
Total benefits and other deductions	<u>26,125,140</u>	<u>22,050,710</u>
Gain from operations before federal income tax expense and net realized capital losses	2,919,132	2,764,738
Dividends to policyholders	10,071	11,896
Gain from operations after dividends to policyholders and federal income taxes	<u>2,909,061</u>	<u>2,752,842</u>
Federal income tax expense	562,272	703,604
Gain from operations before net realized capital losses	<u>2,346,788</u>	<u>2,049,238</u>
Net realized capital losses, less tax benefit of \$818,231 in 2013 and \$787,644 in 2012, excluding tax expense of \$102,101 in 2013 and \$272,189 in 2012 transferred to the IMR	(1,605,469)	(1,202,008)
<b>Net income</b>	<u><u>\$ 741,319</u></u>	<u><u>\$ 847,230</u></u>

See accompanying Notes to Statutory Financial Statements.

**Jackson National Life Insurance Company**  
**Statutory Statements of Capital and Surplus**  
**For the Years Ended December 31, 2013 and 2012**  
(In thousands)

	Capital stock	Surplus notes	Surplus			Total
			Gross paid-in and contributed	Special funds	Unassigned	
<b>Balances at December 31, 2011</b>	\$ 16,300	\$ 399,354	\$ 4,500,651	\$ (376,362)	\$ 195,333	\$ 4,735,276
Correction of errors	-	-	-	-	(49,713)	(49,713)
Net income	-	-	-	-	847,230	847,230
Change in net unrealized capital gains and losses	-	-	-	-	(58,463)	(58,463)
Change in net deferred income tax, including additional admitted DTA	-	-	-	(98,072)	(31,514)	(129,586)
Change in asset valuation reserve	-	-	-	-	(91,369)	(91,369)
Change in non-admitted assets	-	-	-	-	171,037	171,037
Change in liability for reinsurance in unauthorized companies	-	-	-	-	3,220	3,220
Cumulative effect of changes in accounting	-	-	-	-	(465)	(465)
Surplus notes amortization	-	(149,977)	-	-	-	(149,977)
Dividend to stockholder	-	-	-	-	(1,032,223)	(1,032,223)
Paid-in surplus	-	-	175,000	-	-	175,000
Change in surplus as a result of reinsurance	-	-	-	-	(17,712)	(17,712)
Change in surplus as a result of permitted practice	-	-	-	(106,097)	-	(106,097)
Adjustment to reflect REALIC merger	(2,500)	-	(1,441,840)	-	1,444,340	-
<b>Balances at December 31, 2012</b>	<b>13,800</b>	<b>249,377</b>	<b>3,233,811</b>	<b>(580,531)</b>	<b>1,379,701</b>	<b>4,296,158</b>
Net income	-	-	-	-	741,319	741,319
Change in net unrealized capital gains and losses	-	-	-	-	(668,664)	(668,664)
Change in net deferred income tax	-	-	-	-	(170,573)	(170,573)
Change in asset valuation reserve	-	-	-	-	(35,124)	(35,124)
Change in non-admitted assets	-	-	-	-	108,751	108,751
Change in liability for reinsurance in unauthorized companies	-	-	-	-	(6)	(6)
Surplus notes amortization	-	25	-	-	-	25
Dividend to stockholder	-	-	-	-	(507,000)	(507,000)
Change in surplus as a result of reinsurance	-	-	-	-	7,153	7,153
Change in surplus as a result of permitted practice	-	-	-	581,780	-	581,780
<b>Balances at December 31, 2013</b>	<b>\$ 13,800</b>	<b>\$ 249,401</b>	<b>\$ 3,233,811</b>	<b>\$ 1,250</b>	<b>\$ 855,557</b>	<b>\$ 4,353,819</b>

See accompanying Notes to Statutory Financial Statements.

**Jackson National Life Insurance Company**  
**Statutory Statements of Cash Flow**  
**For the Years Ended December 31, 2013 and 2012**  
(In thousands)

	<b>2013</b>	<b>2012</b>
<b>Cash from operations:</b>		
Operating receipts:		
Premiums and annuity considerations	\$ 22,731,874	\$ 18,381,001
Net investment income	3,418,573	3,545,707
Other	2,463,140	2,221,432
Total cash received from operations	<u>28,613,586</u>	<u>24,148,140</u>
Operating disbursements:		
Benefit payments	11,021,542	9,573,628
Commissions, general expenses and taxes	2,239,492	2,780,653
Net transfers to separate accounts	13,153,966	13,324,308
Federal income taxes	(263,235)	256,161
Total cash disbursed from operations	<u>26,151,765</u>	<u>25,934,750</u>
<b>Net cash from operations</b>	<u>2,461,821</u>	<u>(1,786,610)</u>
<b>Cash from investments:</b>		
Proceeds from investments sold, matured, or repaid:		
Bonds	5,596,911	9,945,245
Stocks	161,991	144,052
Mortgage loans	1,088,851	973,771
Real estate	5	-
Limited partnerships and other invested assets	(724,995)	14,901,213
Total investment proceeds	<u>6,122,763</u>	<u>25,964,281</u>
Cost of investments acquired:		
Bonds	5,332,126	5,456,811
Stocks	237,661	205,465
Mortgage loans	1,632,748	1,212,744
Real estate	13,609	8,006
Limited partnerships and other invested assets	1,573,436	16,560,429
Total investments acquired	<u>8,789,580</u>	<u>23,443,455</u>
Net increase in policy loans	(97,499)	(49,065)
<b>Net cash from investments</b>	<u>(2,764,316)</u>	<u>2,471,761</u>
<b>Cash from financing and miscellaneous sources:</b>		
Cash provided (applied):		
Surplus notes	-	23
Borrowed funds	195,000	(155,000)
Net deposits on deposit-type contracts	(55,092)	(219,430)
Dividend paid to stockholder	(507,000)	(400,000)
Other	575,514	(220,633)
<b>Net cash from financing and miscellaneous sources</b>	<u>208,421</u>	<u>(995,040)</u>
Net change in cash and short-term investments	(94,073)	(309,889)
<b>Cash and short-term investments at beginning of year</b>	<u>443,197</u>	<u>753,086</u>
<b>Cash and short-term investments at end of year</b>	<u>\$ 349,124</u>	<u>\$ 443,197</u>
<b>Non-cash transactions:</b>		
Reserve transfer pursuant to reinsurance recapture	-	(2,357,285)
Bonds received in consideration of reinsurance premium	-	(1,929,191)

See accompanying Notes to Statutory Financial Statements.

**Jackson National Life Insurance Company**  
**Notes to Statutory Financial Statements**  
**December 31, 2013 and 2012**

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**Note 1 - Organization**

Jackson National Life Insurance Company (the "Company" or "Jackson") is wholly owned by Brooke Life Insurance Company ("Brooke Life" or the "Parent"), which is ultimately a wholly owned subsidiary of Prudential plc ("Prudential"), London, England. Jackson is licensed to sell group and individual annuity products (including immediate, index-linked and deferred fixed annuities and variable annuities), guaranteed investment contracts ("GICs") and individual life insurance products, including variable universal life, in 49 states and the District of Columbia.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Michigan Department of Insurance and Financial Services ("statutory"), which vary in some respects from U.S. generally accepted accounting principles ("GAAP") and include the following: (1) the costs related to acquiring business, principally commissions, bonus interest on certain products and certain policy issue and underwriting costs, are charged to income in the year incurred and, thus, are not capitalized and amortized over the periods benefited; (2) recognition of the value of acquired insurance in force and goodwill is limited and is amortized over the life of the business acquired, up to ten years; (3) future policy benefit reserves are based on statutory mortality and interest requirements without the consideration of withdrawals; (4) the Commissioners' Annuity Reserve Valuation Method ("CARVM") expense allowance associated with statutory reserving practices for deferred variable annuities held in the separate accounts is reported in the general account as a negative liability; (5) assets must be included in the statement of admitted assets, liabilities, capital and surplus at "admitted asset value", with "non-admitted assets" excluded through a charge to surplus; (6) an asset valuation reserve ("AVR") is established by a direct charge to surplus to offset future potential credit related investment losses; (7) bonds are generally carried at amortized cost and, for investments carried at fair value, changes in investment valuations are recorded in surplus (under GAAP, investments are generally carried at fair value, amortized cost for mortgage loans and policy loans, with changes in valuation recorded in other comprehensive income); (8) realized gains and losses, net of tax, resulting from changes in interest rates on fixed income investments are deferred in the interest maintenance reserve ("IMR") and amortized into investment income over the approximate remaining life of the investment sold; (9) gains or losses resulting from market value adjustments ("MVA") on policies and contracts backed by assets that are valued at book/adjusted carrying value are deferred in the IMR and amortized in a manner consistent with the determination of the MVA; (10) premiums for universal life and investment-type products, other than guaranteed investment contracts ("GIC") and annuities certain, are recognized as income, but are accounted for as deposits to policyholders' accounts under GAAP; (11) a net deferred tax asset ("DTA"), for the tax effect of timing differences between book and tax assets and liabilities, is only reported as an admitted asset to the extent that it is realizable within three years, and represents less than 15% of capital and surplus (adjusted to exclude any net DTAs, electronic data processing ("EDP") equipment and operating system software and any net positive goodwill), subject to limits set by Statement of Statutory Accounting Principles ("SSAP") No. 101, with the change in net deferred tax asset or liability being recorded directly to surplus; (12) surplus notes issued by the Company are recorded as surplus rather than as a liability under GAAP; (13) investments in subsidiaries or companies where Jackson has a controlling interest or is the primary beneficiary of a variable interest entity are reported as investments, but are consolidated under GAAP; (14) assets and liabilities for certain derivative contracts are reported net for statutory, but are reported gross under GAAP; (15) for derivative instruments carried at fair value, changes in fair value are recorded directly to surplus (under GAAP, derivative instruments are carried at fair value with changes in fair value generally recorded in income); (16) reserve credits for reinsurance ceded are netted against the reserve liability, but are reported as assets under GAAP; (17) statements of cash flow are prepared under a prescribed format, which differs from the indirect format under GAAP; (18) there is no presentation of comprehensive income; and (19) financial statements are restated to reflect a merger as if it had occurred on January 1 of the prior year (under GAAP, the operations of the acquired entity are included only from the acquisition date). In 2013, prior year amounts have been reclassified to conform with the current year presentation with no impact on capital and surplus or net income.



**Jackson National Life Insurance Company**  
**Notes to Statutory Financial Statements**  
**December 31, 2013 and 2012**

A reconciliation of the Company's statutory to GAAP net income and statutory capital and surplus to GAAP stockholder's equity is as follows (in millions):

	<b>Years Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
Statutory net income	\$ 741.3	\$ 847.2
Adjustments:		
Future policy benefits and policyholders' account balances	(243.5)	(645.9)
Deferred acquisition costs and sales inducements	848.1	832.8
Net investment income, less interest on funds held	(293.8)	(153.0)
Net realized gains on investments	2,504.8	1,914.2
Fair value of hedging instruments	(2,071.6)	(745.6)
Amortization of value of business acquired and goodwill	81.2	19.4
Separate account CARVM allowance	(625.8)	(904.9)
Federal income taxes	(423.0)	(417.0)
Other, net	242.3	190.5
GAAP net income	<u>\$ 760.1</u>	<u>\$ 937.8</u>

  

	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
Statutory capital and surplus	\$ 4,353.8	\$ 4,296.2
Adjustments:		
Future policy benefits and policyholders' account balances	(2,781.6)	(4,138.3)
Deferred acquisition costs and sales inducements	7,692.3	6,844.2
Valuation of derivatives	57.4	933.5
Separate account CARVM allowance	(5,105.0)	(4,442.4)
Interest maintenance reserve	403.2	409.8
Asset valuation reserve	448.4	411.0
Federal income taxes	(398.7)	(278.8)
Valuation of investments	1,778.7	3,806.9
Surplus notes	(249.4)	(249.4)
Value of business acquired and goodwill	(452.5)	(508.3)
Non-admitted Assets	120.9	164.2
Other, net	128.2	36.9
GAAP stockholder's equity	<u>\$ 5,995.8</u>	<u>\$ 7,285.5</u>

The Department of Insurance and Financial Services ("DIFS") recognizes statutory accounting practices prescribed or permitted by the state of Michigan for determining and reporting the financial condition and results of operations of an insurance company, and for determining its solvency under Michigan Insurance Law. The DIFS has adopted the National Association of Insurance Commissioners' ("NAIC") Accounting Practices and Procedures Manual ("NAIC SAP") to the extent that the accounting practices, procedures, and reporting standards are not modified by the Michigan Insurance Code. The state of Michigan has adopted certain prescribed accounting practices that differ from those defined in NAIC SAP. The commissioner of insurance also has the right to permit other specific practices that deviate from prescribed practices.

The value of the book of business arising from the acquisition of a subsidiary or through reinsurance may be recognized as an admitted asset if certain criteria are met. In NAIC SAP, goodwill may be admitted in amounts not to exceed 10% of an insurer's capital and surplus, as adjusted and is eliminated in the event of a merger.

**Jackson National Life Insurance Company**  
**Notes to Statutory Financial Statements**  
**December 31, 2013 and 2012**

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The Valuation of Life Insurance Policies Model Regulation (“Model 830”, also known as Regulation XXX), was effective for NAIC SAP in 2001. The state of Michigan did not permit Model 830 for reserve calculations until January 1, 2002. Thus, reserves for life business issued in calendar year 2001 are not valued according to Model 830 and NAIC SAP, but rather, are valued under the prior method of the Standard Valuation Law, referred to as the ‘unitary’ method.

Actuarial Guideline XXXV (“Actuarial Guideline 35”) was adopted by the NAIC in December 1998. The purpose of Actuarial Guideline 35 is to interpret the standards for the valuation of statutory reserves for index-linked annuities. NAIC SAP requires application of Actuarial Guideline 35 for all index-linked annuities issued after December 31, 2000. Michigan law prescribes the valuation of index-linked annuities without consideration of Actuarial Guideline 35. As a result, Actuarial Guideline 35 is not reflected in the Company’s accounts as of December 31, 2013 and 2012.

**Permitted Practice**

Effective December 31, 2008, the Company received approval from the DIFS regarding the use of a permitted practice. Since being initially granted, the permitted practice has been extended annually by the commissioner with a current expiration date of October 1, 2014. Any increase in capital and surplus resulting from this permitted practice may not be considered by the Company when determining the surplus available for dividends, nor in the determination of the nature of dividends as ordinary or extraordinary.

The permitted practice allows the Company to report the effectiveness of its hedging program related to certain interest rate swaps consistent with the system the Company has adopted in accordance with Section 943 (2) of the Michigan Insurance Code, as opposed to SSAP No. 86 – *Accounting for Derivative Instruments and Hedging Activities*. As a result, hedging transactions thus identified as effective were reported pursuant to the accounting guidance set forth in NAIC SSAP No. 86. The effect of this permitted practice, reflected as special surplus funds, was to increase capital and surplus by \$1.9 million (\$1.2 million after tax) at December 31, 2013 and decrease capital and surplus by \$893.1 million (\$580.5 million after tax) at December 31, 2012, with no effect on net income.

**Acquisition**

On September 4, 2012, the Company completed the purchase of SRLC America Holding Corp. (“SRLC”) from Swiss Re Life Capital Ltd (“Swiss Re”). Reassure America Life Insurance Company (“REALIC”) was a wholly owned subsidiary of SRLC and the primary business entity under SRLC. SRLC was subsequently dissolved on September 6, 2012, with REALIC becoming a direct subsidiary of the Company. On December 31, 2012, REALIC was merged into the Company.

As part of the agreement between the Company and Swiss Re for the purchase of SRLC, certain business was excluded from the acquired company through 100% coinsurance transactions with Swiss Re and its affiliates, executed prior to the sale.

The preliminary purchase price of SRLC was \$663.3 million, which was reduced by a \$73.9 million current net operating loss carryback income tax recoverable, resulting in an initial cash payment of \$589.4 million at the time of sale. Subsequent adjustments through December 31, 2012 reduced the preliminary purchase price from \$663.3 million to \$587.3 million, which was subject to final agreement with Swiss Re. In 2013, after finalizing the opening balance sheet and the resolution of purchase price discussions with Swiss Re, the final purchase price was settled at \$605.1 million. The final purchase price adjustments and capitalization of additional acquisition expenses increased the \$475.1 million of value of the book of business acquired (“VOBA”) calculated at purchase date to \$491.3 million, which remains fully admissible under Michigan Insurance Code section 1305.

The acquisition was accounted for as a statutory purchase in accordance with SSAP No. 68, and includes \$491.3 million of goodwill attributed to the VOBA. The goodwill value is fully recoverable by the present value of the future cash flows of the business acquired, and, under Michigan law, the entire VOBA is recognized as an admitted asset. While the value of the business acquired meets the NAIC SAP definition of goodwill, the amount is in excess of the amount that would be recognized under NAIC SAP.

**Jackson National Life Insurance Company**  
**Notes to Statutory Financial Statements**  
**December 31, 2013 and 2012**

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The total cost of the acquisition, including the VOBA was initially included in the Common Stock line. Upon the subsequent merger of REALIC into Jackson on December 31, 2012, the VOBA is now reported separately on the Statutory Statements of Admitted Assets, Liabilities, Capital and Surplus.

Since the financial statements were restated as if the merger had occurred January 1, 2011, in accordance with SSAP No. 3, paragraph 13 of SSAP No. 68 would be deemed to apply and the entire VOBA of \$452.5 million and \$516.3 million at December 31, 2013 and 2012, respectively, would be a reduction from the Michigan capital and surplus basis as shown in the table below.

See Note 3 for additional information regarding the acquisition.

**Jackson National Life Insurance Company**  
**Notes to Statutory Financial Statements**  
**December 31, 2013 and 2012**

**Reconciliation to NAIC SAP**

A reconciliation of the Company's net income and capital and surplus between NAIC SAP and practices prescribed or permitted by the state of Michigan is shown below (in millions):

	<b>Years Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
Net income, as stated herein	\$ 741.3	\$ 847.2
Adjustments - prescribed practices:		
Valuation of Life Insurance Policies Model Regulation (XXX):		
Increase in aggregate reserves for life and accident and health policies and contracts	-	(0.5)
Actuarial Guideline 35:		
Increase in aggregate reserves for life and accident and health policies and contracts	(76.0)	(18.9)
Increase in market values of financial derivatives used to hedge index-linked liabilities	7.4	1.1
Amortization of value of business acquired	63.5	-
Prescribed practices adjustment	(5.2)	(17.8)
Tax effect of prescribed practice differences	24.1	6.5
Net income, NAIC SAP	<u>\$ 760.3</u>	<u>\$ 835.5</u>
	<b>December 31,</b>	
	<b>2013</b>	<b>2012</b>
Statutory Capital and Surplus, as stated herein	\$ 4,353.8	\$ 4,296.2
Adjustments - prescribed practices:		
Aggregate reserve for life policies and contracts		
Valuation of Life Insurance Policies Model Regulation (XXX):		
Reserve per Michigan basis	11.1	11.2
Reserve per NAIC SAP	28.8	28.9
Model Regulation (XXX) adjustment	(17.8)	(17.8)
Actuarial Guideline 35:		
Reserve per Michigan basis	8,805.2	8,028.8
Reserve per NAIC SAP	8,928.0	8,075.6
Mark to market of financial derivatives used to hedge index-linked liabilities	7.4	-
Actuarial Guideline 35 adjustment	(115.4)	(46.8)
Value of business acquired	(452.5)	(516.3)
Tax effect of prescribed practice differences	44.3	20.2
Net impact of prescribed practices	(541.3)	(560.6)
Adjustments - permitted practice:		
SSAP No. 86 - effectiveness of interest rate swaps per permitted practice	(1.9)	893.1
Tax effect of permitted practice differences	0.7	(312.6)
Net impact of permitted practice	(1.2)	580.5
Statutory capital and surplus, NAIC SAP	<u>\$ 3,811.2</u>	<u>\$ 4,316.0</u>

**Jackson National Life Insurance Company**  
**Notes to Statutory Financial Statements**  
**December 31, 2013 and 2012**

**New and Pending Accounting Pronouncements**

In March 2013, SSAP No. 104R, *Share-Based Payments*, was issued and provides statutory accounting principles for transactions in which an entity exchanges its equity instruments to employees and non-employees in share-based payment transactions. This guidance does not apply to a reporting entity that is not directly liable for obligations under the share-based plan. The additional disclosures related to the Company's share-based payment plans required by this guidance have been included in Note 17.

On January 1, 2012, the Company adopted SSAP No. 101, *Income Taxes*. This guidance supersedes SSAP No. 10R and SSAP No. 10. The new guidance includes additional limitations on deferred tax assets, enhanced requirements regarding tax planning strategies and enhanced and expanded disclosures. The additional disclosures related to guarantees required by this guidance have been included in Note 9.

**Estimates**

The preparation of the accompanying financial statements and notes requires the use of estimates and assumptions about future events that affect the amounts reported in the financial statements and the accompanying notes. Significant estimates or assumptions, as further discussed in the notes, include: 1) valuation of investments and derivative instruments, including fair values of securities without readily ascertainable market values and the determination of when an impairment is other-than-temporary; 2) assumptions used in calculating policy reserves and liabilities, including mortality rates, expenses and investment returns; 3) assumptions as to future earnings levels being sufficient to realize deferred tax benefits and whether or not certain deferred tax assets will reverse within three years; 4) estimates related to liabilities for lawsuits and establishment of liability for state guaranty fund assessments; 5) assumptions and estimates associated with the Company's tax positions which impact the amount of recognized tax benefits recorded by the Company; and 6) assumptions as to future earnings levels of acquired business being sufficient to recover the VOBAs and goodwill. These estimates and assumptions are based on management's best estimates and judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors as deemed appropriate. As facts and circumstances dictate, these estimates and assumptions may be adjusted. Since future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Changes in estimates, including those resulting from continuing changes in the economic environment, will be reflected in the financial statements in the periods the estimates are changed.

**Material Corrections of Errors**

In 2012, following the acquisition described in Note 3, REALIC's management identified certain adjustments related to prior year financial statements. It was determined that the existing method for calculating statutory reserves for certain flexible premium universal life policies did not meet minimum statutory accounting principle requirements. It was also determined that post-mortem interest should be accrued relative to claims in course of settlement. As such, the Company recorded additional reserves in its financial statements as of December 31, 2012, with most of the adjustment relating to prior year financial statements. The correction of the December 31, 2011 surplus is reflected in the December 31, 2012 Statutory Statements of Capital and Surplus as an opening surplus adjustment.

The December 31, 2011 impact to Assets, Liabilities, Capital and Surplus and Net Income is presented in the following table (in thousands):

	Assets	Liabilities	Capital and Surplus	Net Income
December 31, 2011 as reported (REALIC only)	\$ 17,110,427	\$ 16,020,968	\$ 1,089,459	\$ 137,828
Aggregate reserve for life contracts (net of tax)	-	45,494	(45,494)	2,900
Accrual for post-mortem interest	-	4,219	(4,219)	-
January 1, 2012 as adjusted (REALIC only)	<u>\$ 17,110,427</u>	<u>\$ 16,070,681</u>	<u>\$ 1,039,746</u>	<u>\$ 140,728</u>

The Company had no other material changes in accounting principles, correction of errors or changes in estimates for the years ended December 31, 2013 and 2012.

**Jackson National Life Insurance Company**  
**Notes to Statutory Financial Statements**  
**December 31, 2013 and 2012**

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**Investments**

Bonds not backed by other loans are stated at amortized cost except those with an NAIC designation of “6,” which are stated at the lower of amortized cost or fair value. Acquisition premiums and discounts are amortized into investment income through call or maturity dates using the effective interest method.

Jackson recognizes an other-than-temporary impairment for non-loan-backed securities when the Company does not expect full recovery of amortized cost. These impairment losses are recognized in net realized capital losses for the full difference between fair value and amortized cost.

Loan-backed and structured securities, hereafter collectively referred to as “loan-backed securities,” are also stated at amortized cost except those with an NAIC carry rating of “6,” which are carried at the lower of amortized cost or fair value. The retrospective adjustment method is used to value loan-backed securities where the collection of all contractual cash flows is probable. For loan-backed securities where the collection of all contractual cash flows is not probable, the Company:

- Recognizes the accretable yield over the life of the loan-backed security as determined at the acquisition or transaction date;
- Continues to estimate cash flows expected to be collected at least quarterly; and,
- Recognizes an other-than-temporary impairment loss if the loan-backed security is impaired (i.e., the fair value is less than the amortized cost basis) and if the Company does not expect to recover the entire amortized cost basis when compared to the present value of cash flows expected to be collected.

Investments are reduced to estimated fair value (discounted cash flows for loan-backed securities) for declines in value that are determined to be other-than-temporary. In determining whether an other-than-temporary impairment has occurred, the Company considers a security’s forecasted cash flows as well as the severity and duration of depressed fair values.

If the Company intends to sell an impaired loan-backed security or does not have the intent and ability to retain the impaired loan-backed security for a period of time sufficient to recover the amortized cost basis, an other-than-temporary impairment has occurred. In these situations, the other-than-temporary impairment loss recognized is the difference between the amortized cost basis and fair value. For loan-backed securities, the credit portion of the recognized loss is recorded to the AVR and the non-credit portion is recorded to the IMR. If the Company does not expect to recover the entire amortized cost basis when compared to the present value of cash flows expected to be collected, it cannot assert that it has the ability to recover the loan-backed security’s amortized cost basis even though it has no intent to sell and has the intent and ability to retain the loan-backed security. Therefore, an other-than-temporary impairment has occurred and a realized loss is recognized for the non-interest related decline, which is calculated as the difference between the loan-backed security’s amortized cost basis and the present value of cash flows expected to be collected.

For situations where an other-than-temporary impairment is recognized, the previous amortized cost basis less the other-than-temporary impairment recognized as a realized loss becomes the new amortized cost basis of the loan-backed security. The new amortized cost basis is not adjusted for subsequent recoveries in fair value. Therefore, the prospective adjustment method is used for periods subsequent to other-than-temporary impairment loss recognition.

Unaffiliated common stocks are stated at fair value. The Company’s investments in subsidiaries are recorded based on the equity method. Insurance subsidiaries are reported at their audited statutory basis net worth and non-insurance subsidiaries are carried at their audited net worth as determined under GAAP. Included in common stocks are the Company’s 100% interests in the common stock of Jackson National Life Insurance Company of New York (“Jackson New York”), a life insurance company, Jackson National Life (Bermuda) LTD, an inactive Bermuda based insurance company, and VFL International Life Company SPC, LTD, a segregated portfolio company incorporated in the Cayman Islands.



**Jackson National Life Insurance Company**  
**Notes to Statutory Financial Statements**  
**December 31, 2013 and 2012**

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Preferred stocks are stated at cost, except those with an NAIC Securities Valuation Office rating of “4” to “6” which are reported at the lower of cost or fair value.

Limited partnership interests, including limited liability company interests, are carried at fair value. Distributions of earnings from these entities are recorded as investment income and unrealized gains and losses are credited or charged directly to surplus. Included in limited partnership interests is \$107.4 million and \$349.4 million at December 31, 2013 and 2012, respectively, of the Company’s 100% ownership of member interests in the following entities: Jackson National Asset Management, LLC, an investment advisor and transfer agent; Jackson National Life Distributors, LLC, a broker dealer; Curian Clearing, LLC, a broker dealer; and in 2012 Hermitage Management, LLC (“Hermitage”), which holds mortgage loans and real estate. The Company has non-admitted its investment of \$56.8 million and \$12.7 million at December 31, 2013 and 2012, respectively, in Squire Reassurance Company LLC, an affiliated captive reinsurance company; Curian Capital, LLC, an investment advisor; PGDS (US One), LLC, an affiliated information technology service provider; and Hermitage in 2013.

The Company also acquires controlling ownership interests in companies through troubled debt restructuring arrangements. These investments are held for sale and are not operated as subsidiaries. These equity investments are carried at fair value.

Derivative instruments afforded hedge accounting treatment are accounted for in a manner consistent with the hedged items. Derivative instruments not afforded hedge accounting treatment are stated at fair value. Derivative instruments transacted through year-end 2002 are afforded hedge accounting treatment and are, therefore, stated at amortized cost. See Note 6 for more information on derivative instruments.

Cash and short-term investments, which primarily include high quality money market instruments, are carried at amortized cost. These investments have original maturities of twelve months or less, and are considered cash equivalents for reporting cash flow.

Mortgage loans are carried at aggregate unpaid principal balances, net of unamortized discounts and premiums, impairments and any allowance for loan losses.

On a periodic basis, Jackson assesses the commercial mortgage loan portfolio for the need for an allowance for loan losses. In determining its allowance for loan losses, the Company evaluates each loan to determine if it is probable that amounts due according to the contractual terms of the loan agreement will not be collected. The allowance includes loan specific reserves for loans that are determined to be non-performing as a result of this loan review process. The loan specific portion of the loss allowance is based on the Company’s assessment as to ultimate collectability of loan principal and interest, or other value expected in lieu of loan principal and interest. This review contemplates a variety of factors which may include, but are not limited to, current economic conditions, the physical condition of the property, the financial condition of the borrower, and the near and long-term prospects for change in these conditions. Changes in the allowance for loan losses are recorded in surplus.

Separately, Jackson also reviews individual loans in the portfolio for impairment based on an assessment of the factors identified above. Impairments deemed other than temporary are recorded initially against the established loan loss allowance and, if necessary, any additional amounts are recorded as realized losses. As deemed necessary based on cash flow expectations and other factors, Jackson may place loans on non-accrual status. In this case, all cash received is applied against the carrying value of the loan.

Policy loans are loans the Company issues to contract holders that use the cash surrender value of their life insurance policy or annuity contract as collateral. Policy loans are carried at unpaid principal balances.

Real estate is carried at depreciated cost and net of encumbrances. Buildings are depreciated over their estimated useful life, up to 40 years.

Realized capital gains and losses are recorded at the date of sale and are calculated on a specific cost identification basis.

**Jackson National Life Insurance Company**  
**Notes to Statutory Financial Statements**  
**December 31, 2013 and 2012**

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**Life and Annuity Reserves**

Aggregate reserves for life insurance policies are based on statutory mortality and interest requirements without consideration for withdrawals. With respect to ordinary policies, the mortality assumptions range from the American Experience Table to the 1980/2001 Commissioners' Standard Ordinary Table with interest assumptions ranging from 1.50% to 6.25%. With respect to older industrial policies, the mortality assumptions range from the American Experience Table to the 1961 Commissioners' Standard Industrial Table with interest assumptions ranging from 1.50% to 6.00%. As of December 31, 2013, approximately 27% of the life reserves were calculated on a net level reserve basis and 73% were calculated on a modified reserve basis. As of December 31, 2012, approximately 26% of the life reserves were calculated on a net level reserve basis and 74% were calculated on a modified reserve basis.

Reserves for variable annuity products and related guarantees are determined using Actuarial Guideline 43. Actuarial Guideline 43 reserves are set at the greater of a standard scenario calculation and a principles-based stochastic calculation. The standard scenario calculation is based on the 1994 Variable Annuity MGDB Mortality table and valuation interest rates applicable to issue years of the policies involved, as well as other generally prescribed assumptions as to policyholder behavior. The stochastic calculation uses prudent estimate assumptions as to mortality and policyholder behavior, as well as "real world" stochastically generated equity and interest rate scenarios. Both the standard scenario and stochastic calculations are adjusted to reflect the impact of hedge instruments owned on the valuation date, and in the case of the stochastic calculation, future assumed hedging activity.

Actuarial Guideline 43 defines the minimum reserving standard for variable annuities. However, in setting reported statutory reserves for variable annuities, Jackson considers additional metrics and attempts to balance several other considerations, including the desire to maintain strong and stable capital and financial strength ratios. At December 31, 2013 and 2012, the Company recorded \$300.0 million and \$600.0 million, respectively, of additional voluntary variable annuity guaranteed benefit reserves in excess of those required under minimum statutory standards to partially mitigate C-3 Phase II charges.

The majority of all other annuity reserves and GIC deposits are established with an interest rate assumption ranging from 2.50% to 8.75% and are carried at the greater of surrender value or the greatest present value of the guaranteed benefits discounted at statutory valuation interest rates.

Jackson and Jackson National Life Funding, LLC have established a European Medium Term Note program, with up to \$5.8 billion in aggregate principal amount outstanding at any one time. Jackson National Life Funding, LLC was formed as a special purpose vehicle solely for the purpose of issuing Medium Term Note instruments to institutional investors, the proceeds of which are deposited with Jackson and secured by the issuance of funding agreements. The liability for the outstanding balances totaled \$0.2 billion and \$0.4 billion at December 31, 2013 and 2012, respectively, and these liabilities are included in liability for deposit-type contracts. Issued instruments representing obligations denominated in a foreign currency have been hedged for changes in exchange rates using cross-currency swaps.

Jackson and Jackson National Life Global Funding have established a \$12.0 billion aggregate Global Medium Term Note program. Jackson National Life Global Funding was formed as a statutory business trust, solely for the purpose of issuing Medium Term Note instruments to institutional investors, the proceeds of which are deposited with Jackson and secured by the issuance of funding agreements. The liability for the outstanding balances at December 31, 2013 and 2012 totaled \$0.6 billion and \$0.8 billion, respectively, and these liabilities are included in liability for deposit-type contracts. Issued instruments representing obligations denominated in a foreign currency have been hedged for changes in exchange rates using cross-currency swaps.



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Jackson is a member of the regional Federal Home Loan Bank of Indianapolis (“FHLBI”) primarily for the purpose of participating in its mortgage-collateralized loan advance program with short-term and long-term funding facilities. Membership requires the Company to purchase and hold a minimum amount of FHLBI capital stock plus additional stock based on outstanding advances. Advances are in the form of short-term or long-term notes or funding agreements issued to FHLBI. At both December 31, 2013 and 2012, Jackson held \$115.0 million of FHLBI capital stock, supporting \$1.8 billion of funding agreements at each period end, included in liability for deposit-type contracts. The Company also held \$200.0 million of short-term borrowings and a mortgage loan with an outstanding balance of \$5.0 million and \$10.0 million at December 31, 2013 and 2012, respectively.

Actuarial Guideline 35 was adopted by the NAIC in December 1998. The purpose of Actuarial Guideline 35 is to interpret the standards for the valuation of statutory reserves for index-linked annuities. NAIC SAP requires application of Actuarial Guideline 35 for all index-linked annuities issued after December 31, 2000. Michigan law prescribes the valuation of index-linked annuities without consideration of Actuarial Guideline 35. As a result, and as demonstrated in the Company’s reconciliation of net income and capital and surplus between NAIC SAP and practices prescribed or permitted by the state of Michigan, Actuarial Guideline 35 is not reflected in the Company’s accounts as of December 31, 2013 and 2012.

**Interest Maintenance Reserve**

The Company is required to maintain an IMR. The IMR establishes a reserve for the net, after tax, accumulated unamortized realized gains and losses on sales of fixed income investments primarily attributable to changes in interest rates. Net realized gains and losses charged or credited to the IMR are amortized into investment income over the approximate remaining life of the investment sold using the grouped method.

Gains or losses resulting from MVA on policies and contracts backed by assets that are valued at book/adjusted carrying value are deferred in the IMR and amortized in a manner consistent with the determination of the MVA using the grouped method. In 2013, MVA losses of \$3.6 million, less a tax benefit of \$1.3 million, were transferred to the IMR. In 2012, MVA losses of \$6.5 million, less a tax benefit of \$2.3 million, were transferred to the IMR.

**Asset Valuation Reserve**

The Company is required to maintain an AVR. The AVR is computed in accordance with a formula prescribed by the NAIC and represents a provision for potential credit related investment losses. Changes in the AVR are recorded directly to surplus.

**Revenue and Expense Recognition**

Premiums for traditional life insurance are recognized as revenue when due. Annuity considerations are recognized as revenue when collected. GICs and other investment products with no mortality risk are accounted for using deposit accounting. Accordingly, GIC premiums and withdrawals are not reflected in the statement of operations, but are credited or charged directly to policyholders’ accounts, while interest credited to the policyholders’ accounts is reflected in the statement of operations. Commission and expense allowances, which represent commission and expense reimbursements related to reinsurance ceded to other companies, are recognized as revenue when due. The CARVM allowance represents the excess of separate account contract values over statutory reserves for variable annuities and variable life. Benefits, claims and expenses (including the change in CARVM allowance) are recognized when incurred. Commissions, general expenses, and taxes, licenses and fees, including costs of acquiring new business, are charged to operations as incurred.

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**Investment Income**

Income due and accrued was excluded from surplus on the following basis:

Bonds - securities in default and otherwise where collection is uncertain.

Mortgage loans - loans in foreclosure deemed in default, delinquent greater than one year or where collection of interest is uncertain.

Real estate - properties where rent is in arrears for more than three months.

Income due and accrued on investments where collection is not likely has been excluded from net investment income. For the years ended December 31, 2013 and 2012, the amounts excluded from investment income were \$16.0 million and \$6.6 million, respectively.

**Furniture and Equipment**

Furniture and equipment are carried at cost less accumulated depreciation, which is charged to operations on a straight-line basis over the estimated useful lives of the related assets. Furniture and electronic data processing equipment and software are depreciated over three to seven years. Furniture and equipment, except for certain EDP equipment and software reported in other admitted assets, is non-admitted. Depreciation expense on admitted assets totaled \$0.2 million and \$0.5 million for 2013 and 2012, respectively, while depreciation expense on non-admitted assets totaled \$14.8 million and \$13.4 million in 2013 and 2012, respectively.

**Federal Income Taxes**

Federal income taxes are charged to operations based on current taxable income. Current year federal income tax expense is based on financial reporting income or loss adjusted for certain timing differences, which are the result of dissimilar financial reporting and tax basis accounting methods. A net DTA, for the tax effect of timing differences between financial reporting and the tax basis of assets and liabilities, is allowed to be reported as an admitted asset only to the extent that it is realizable within three years and represents less than 15% of capital and surplus (adjusted to exclude any net DTAs, EDP equipment and operating system software and any net positive goodwill), with the change in net deferred tax asset or liability being recorded directly to surplus.

**Non-admitted Assets**

Certain assets designated as "non-admitted assets" (principally net deferred tax assets not realizable within three years, agents' debit balances, furniture, equipment, computer software, prepaid expenses, certain other receivables, and investments in certain common stocks and limited liability corporations) have been excluded from the statutory statements of admitted assets, liabilities, capital and surplus by a direct charge to surplus.

**Separate Account Assets and Liabilities**

The assets and liabilities associated with individual variable annuity and life contracts, which aggregated \$102.2 billion and \$75.3 billion at December 31, 2013 and 2012, respectively, are segregated in non-guaranteed separate accounts. The Company receives fees for assuming mortality and certain expense risks and for providing guaranteed benefits under the variable annuity contracts. Such fees are recorded as earned.

The Company has issued a group variable annuity contract designed for use in connection with and issued to the Company's Defined Contribution Retirement Plan. These deposits are allocated to the non-guaranteed Jackson National Separate Account – II and aggregated \$290.6 million and \$217.8 million at December 31, 2013 and 2012, respectively.

**Value of Business Acquired and Goodwill**

The value of business acquired and goodwill relates to the acquisitions of Life of Georgia in 2005 and REALIC in 2012. The VOBA is amortized over the estimated life of the business, not to exceed 10 years. In 2012, the Company recorded REALIC VOBA amortization in the amount of \$16.4 million, which was recorded directly to capital and surplus prior to the merger. During 2013 and 2012, the Company recorded amortization expense of \$82.9 million and \$19.4 million, respectively, in the statement of operations.

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**Subsequent Events**

The Company has evaluated events through April 21, 2014, which is the date the financial statements were available to be issued.

**Note 3 – Acquisition**

On September 4, 2012, the Company completed the purchase of SRLC from Swiss Re. REALIC was a wholly owned subsidiary of SRLC and the primary operating company under SRLC. SRLC was subsequently dissolved on September 6, 2012, with REALIC becoming a direct subsidiary of the Company. On December 31, 2012, REALIC was merged into the Company.

As part of the agreement between the Company and Swiss Re for the purchase of SRLC, certain business was excluded from the acquired company through 100% coinsurance transactions (“retro treaties”) with Swiss Re and its affiliates, executed prior to the sale.

The preliminary purchase price of SRLC was \$663.3 million, which was reduced by a \$73.9 million current net operating loss carryback income tax recoverable, resulting in an initial cash payment of \$589.4 million at the time of sale. Subsequent adjustments through December 31, 2012 reduced the preliminary purchase price from \$663.3 million to \$587.3 million, which was subject to final agreement with Swiss Re. In 2013, after finalizing the opening balance sheet and the resolution of purchase price discussions with Swiss Re, the final purchase price was settled at \$605.1 million. The final purchase price adjustments and capitalization of additional acquisition expenses increased the \$475.1 million of VOBA calculated at purchase date to \$491.3 million.

The acquisition was accounted for as a statutory purchase in accordance with SSAP No. 68 and includes \$491.3 million of goodwill attributed to the VOBA. The goodwill value is fully recoverable by the present value of the future cash flows of the business acquired and, under Michigan Insurance Code section 1305, the entire VOBA is recognized as an admitted asset. While the value of the business acquired meets the NAIC SAP definition of goodwill, the amount is in excess of the amount that would be recognized under NAIC SAP.

The total cost of the acquisition, including the VOBA was initially reported on the Common Stock line. Upon the subsequent merger of REALIC into Jackson on December 31, 2012, the VOBA is now reported separately on the Statutory Statements of Admitted Assets, Liabilities, Capital and Surplus.

As described above, during 2013 the Company completed its final review of the acquired assets and liabilities assumed. As a result of adjustments made during this final review, the final net assets acquired totaled \$127.8 million.

**Note 4 - Fair Value of Financial Instruments**

Fair value measurements are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company’s view of market assumptions in the absence of observable market information. Jackson utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. All financial assets and liabilities are required to be classified into one of the following categories:

- |         |  |
|---------|--|
| Level 1 | Observable inputs that reflect quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date. Level 1 securities include government securities and exchange traded equity and derivative instruments.   |
| Level 2 | Observable inputs, other than quoted prices included in Level 1, for the asset or liability or prices for similar assets and liabilities. Most debt securities that are model priced using observable inputs and freestanding derivative instruments that are priced using models with observable market inputs are included in Level 2. |

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Level 3 Valuations that are derived from techniques in which one or more of the significant inputs are unobservable (including assumptions about risk). Level 3 includes limited partnership interests and less liquid securities such as certain highly structured or lower quality asset-backed securities. Because Level 3 fair values, by their nature, contain unobservable market inputs, considerable judgment may be used to determine the Level 3 fair values. Level 3 fair values represent the Company's best estimate of an amount that could be realized in a current market exchange absent actual market exchanges.

In many situations, inputs used to measure the fair value of an asset or liability may fall into different levels of the fair value hierarchy. In these situations, the Company determines the level in which the fair value falls based upon the lowest level input that is significant to the determination of the fair value. As a result, both observable and unobservable inputs may be used in the determination of fair values that the Company has classified within Level 3.

The Company determines the fair values of certain financial assets and liabilities based on quoted market prices, where available. The Company may also determine fair value based on estimated future cash flows discounted at the appropriate current market rate. When appropriate, fair values reflect adjustments for counterparty credit quality, the Company's credit standing, liquidity and risk margins on unobservable inputs.

Where quoted market prices are not available, fair value estimates are made at a point in time, based on relevant market data, as well as the best information about the individual financial instrument. At times, illiquid market conditions may result in inactive markets for certain of the Company's financial instruments. In such instances, there may be no or limited observable market data for these assets and liabilities. Fair value estimates for financial instruments deemed to be in an illiquid market are based on judgments regarding current economic conditions, liquidity discounts, currency, credit and interest rate risks, loss experience and other factors. These fair values are estimates and involve considerable uncertainty and variability as a result of the inputs selected and may differ materially from the values that would have been used had an active market existed. As a result of market inactivity, such calculated fair value estimates may not be realizable in an immediate sale or settlement of the instrument. In addition, changes in the underlying assumptions used in the fair value measurement technique could significantly affect these fair value estimates.

The following is a discussion of the methodologies used to determine fair values of the financial instruments.

**Bonds and Equity Securities**

The fair values for bonds and equity securities are determined using information available from independent pricing services, broker-dealer quotes, or internally derived estimates. Priority is given to publicly available prices from independent sources, when available. Securities for which the independent pricing service does not provide a quotation are either submitted to independent broker-dealers for prices or priced internally. Typical inputs used by these three pricing methods include, but are not limited to, reported trades, benchmark yields, credit spreads, liquidity premiums, and/or estimated cash flows based on default and prepayment assumptions.

As a result of typical trading volumes and the lack of specific quoted market prices for most fixed maturities, independent pricing services will normally derive the security prices through recently reported trades for identical or similar securities, making adjustments through the reporting date based upon available market observable information as outlined above. If there are no recently reported trades, the independent pricing services and broker-dealers may use matrix or pricing model processes to develop a security price where future cash flow expectations are developed based upon collateral performance and discounted at relevant market rates. Certain securities are priced using broker-dealer quotes, which may utilize proprietary inputs and models. Additionally, the majority of these quotes are non-binding.

Included in the pricing of loan-backed securities are estimates of the rate of future prepayments of principal over the remaining life of the securities. Such estimates are derived based on the characteristics of the underlying structure and prepayment assumptions believed to be relevant for the underlying collateral. Actual prepayment experience may vary from these estimates.

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Internally derived estimates may be used to develop a fair value for securities for which the Company is unable to obtain either a reliable price from an independent pricing service or a suitable broker-dealer quote. These fair value estimates may incorporate Level 2 and Level 3 inputs and are generally derived using expected future cash flows, discounted at market interest rates available from market sources based on the credit quality and duration of the instrument. For securities that may not be reliably priced using these internally developed pricing models, a fair value may be estimated using indicative market prices. These prices are indicative of an exit price, but the assumptions used to establish the fair value may not be observable or corroborated by market observable information and, therefore, represent Level 3 inputs.

The Company performs a monthly analysis on the prices and credit spreads received from third parties to ensure that the prices represent a reasonable estimate of the fair value. This process involves quantitative and qualitative analysis and is overseen by investment and accounting professionals. Examples of procedures performed include, but are not limited to, initial and ongoing review of third party pricing service methodologies, review of pricing statistics and trends, back testing recent trades and monitoring of trading volumes. In addition, the Company considers whether prices received from independent broker-dealers represent a reasonable estimate of fair value through the use of internal and external cash flow models, which are developed based on spreads and, when available, market indices. As a result of this analysis, if the Company determines there is a more appropriate fair value based upon the available market data, the price received from the third party may be adjusted accordingly.

For those securities that were internally valued at December 31, 2013 and 2012, the pricing model used by the Company utilizes current spread levels of similarly rated securities to determine the market discount rate for the security. Furthermore, appropriate risk premiums for illiquidity and non-performance are incorporated in the discount rate. Cash flows, as estimated by the Company using issuer-specific default statistics and prepayment assumptions, are discounted to determine an estimated fair value.

On an ongoing basis, the Company reviews the independent pricing services' valuation methodologies and related inputs, and evaluates the various types of securities in its investment portfolio to determine an appropriate fair value hierarchy distribution based upon trading activity and the observability of market inputs. Based on the results of this evaluation, each price is classified into Level 1, 2, or 3. Most prices provided by independent pricing services, including broker-dealer quotes, are classified into Level 2 due to their use of market observable inputs.

At December 31, 2013 and 2012, bonds valued internally, including matrix-priced securities, had a book/adjusted carrying value of \$5.3 billion and \$5.4 billion, respectively, and an estimated fair value of \$5.6 billion and \$5.9 billion, respectively.

#### **Mortgage Loans**

Fair values are generally determined by discounting expected future cash flows at current market interest rates, inclusive of a credit spread, for similar quality loans. For loans whose value is dependent upon the underlying property, fair value is determined to be the estimated value of the collateral. Certain characteristics considered significant in determining the spread or collateral value may be based on internally developed estimates. As a result, these investments have been classified as Level 3 within the fair value hierarchy.

#### **Policy Loans**

The Company believes the carrying value of policy loans approximates fair value. Policy loans are funds provided to policyholders in return for a claim on the policies' values and function like demand deposits which are redeemable upon repayment, death or surrender, and there is only one market price at which the transaction could be settled – the then current carrying value. The funds provided are limited to the cash surrender value of the underlying policy. The nature of policy loans is to have a negligible default risk as the loans are fully collateralized by the value of the policy. Policy loans do not have a stated maturity and the balances and accrued interest are repaid either by the policyholder or with proceeds from the policy. Due to the collateralized nature of policy loans and unpredictable timing of payments, the Company believes the carrying value of policy loans approximates fair value.



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**Derivative Instruments**

Fair values for derivatives priced using valuation models incorporate inputs that are predominantly observable in the market. Inputs used to value derivatives include, but are not limited to, interest rate swap curves, credit spreads, interest rates, counterparty credit risk, equity volatility and equity index levels.

Derivative instruments classified as Level 1 include futures, which are traded on active exchanges.

Derivative instruments classified as Level 2 include interest rate swaps, cross currency swaps, credit default swaps, put swaptions and equity index call and put options. The derivative valuations are determined by third party pricing services using pricing models with inputs that are observable in the market or can be derived principally from, or corroborated by, observable market data.

A derivative instrument containing Level 1 or Level 2 inputs could be classified as a Level 3 financial instrument if it includes at least one significant Level 3 input.

**Limited Partnership Interests**

Fair value for limited partnership interests is determined by using the proportion of Jackson's investment in each fund (NAV equivalent) as a practical expedient for fair value. No adjustments to these amounts were deemed necessary at December 31, 2013 or 2012. Limited partnership interests are categorized as Level 3 assets.

**Separate Account Assets**

Separate account assets are comprised of investments in mutual funds, which are categorized as Level 1 assets.

**Annuity Reserves**

Fair values for immediate annuities, without mortality features, are derived by discounting the future estimated cash flows using current market interest rates for similar maturities. Fair values for deferred annuities, including fixed index annuities, are determined using projected future cash flows discounted at current market interest rates.

**Reserves for Guaranteed Investment Contracts**

Fair value is based on the present value of future cash flows discounted at current market interest rates.

**Payable for Securities Lending**

The Company's payable for securities lending is set equal to the cash collateral received. Due to the short-term nature of the loans, carrying value is a reasonable estimate of fair value.

**Funds Held Under Reinsurance Treaties**

The fair value of the funds held is equal to the fair value of the assets held as collateral, which primarily consist of policy loans and fixed maturities.

**Repurchase Agreements**

Carrying value of the Company's repurchase agreements is considered a reasonable estimate of fair value due to their short-term maturities.

**Separate Account Liabilities**

Separate account liabilities are carried at the fair value of the separate account assets.

**Debt**

Carrying value of the short-term borrowings is considered a reasonable estimate for fair value due to their short-term maturity. Fair value of surplus notes is based on the present value of future cash flows discounted at current market interest rates.

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**Fair Value Measurements at Reporting Date**

The following tables provide information about the Company's financial assets and liabilities that are carried at fair value by hierarchy levels (in thousands):

	<b>December 31, 2013</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets at fair value:				
Bonds:				
Residential mortgage-backed securities	\$ -	\$ 3,468	\$ -	\$ 3,468
Commercial mortgage-backed securities	-	2,114	343	2,457
Other asset-backed securities	-	3,883	-	3,883
Common stock	463,978	-	249	464,227
Sub-total	463,978	9,465	592	474,035
Limited partnership interests	-	-	1,346,414	1,346,414
Derivative instruments <sup>(1)</sup>	-	358,262	-	358,262
Separate account assets	102,494,340	-	-	102,494,340
Total assets at fair value	<u>\$ 102,958,318</u>	<u>\$ 367,727</u>	<u>\$ 1,347,006</u>	<u>\$ 104,673,051</u>
Liabilities at fair value:				
Separate account liabilities	\$ 102,494,340	\$ -	\$ -	\$ 102,494,340
Derivative instruments	-	877	-	877
Total liabilities at fair value	<u>\$ 102,494,340</u>	<u>\$ 877</u>	<u>\$ -</u>	<u>\$ 102,495,217</u>

  

	<b>December 31, 2012</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Assets at fair value:				
Bonds:				
Residential mortgage-backed securities	\$ -	\$ 9,532	\$ -	\$ 9,532
Commercial mortgage-backed securities	-	2,585	-	2,585
Other asset-backed securities	-	8,465	-	8,465
Common stock	338,649	-	138	338,787
Sub-total	338,649	20,582	138	359,369
Limited partnership interests	-	-	1,250,545	1,250,545
Derivative instruments <sup>(1)</sup>	(10,773)	380,680	-	369,907
Separate account assets	75,557,457	-	-	75,557,457
Total assets at fair value	<u>\$ 75,885,333</u>	<u>\$ 401,262</u>	<u>\$ 1,250,683</u>	<u>\$ 77,537,278</u>
Liabilities at fair value:				
Separate account liabilities	\$ 75,557,457	\$ -	\$ -	\$ 75,557,457
Derivative instruments	-	(159,413)	-	(159,413)
Total liabilities at fair value	<u>\$ 75,557,457</u>	<u>\$ (159,413)</u>	<u>\$ -</u>	<u>\$ 75,398,044</u>

<sup>(1)</sup> Excludes interest rate swaps measured on a cost basis in accordance with the permitted practice (see Note 2).

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**Changes in Level 3 Assets and Liabilities Measured at Fair Value**

The Company's policy for determining and disclosing transfers between levels is to recognize transfers using beginning of period balances. The following tables summarize the changes in assets and liabilities measured at fair value classified in Level 3 (in thousands). Gains and losses reported in these tables may include changes in fair value that are attributable to both observable and unobservable inputs.

	Balance as of January 1, 2013	Transfers in Level 3	Transfers out Level 3	Total gains and (losses) included in net income	Total gains and (losses) included in surplus	Purchases, issuances, sales and settlements	Balance as of December 31, 2013
<b>Assets</b>							
Other asset-backed securities	\$ -	\$ 343	\$ -	\$ -	\$ -	\$ -	\$ 343
Common stock	138	-	-	-	-	111	249
Limited partnerships	1,250,545	-	-	(24,215)	131,006	(10,922)	1,346,414
	Balance as of January 1, 2012	Transfers in Level 3	Transfers out Level 3	Total gains and (losses) included in net income	Total gains and (losses) included in surplus	Purchases, issuances, sales and settlements	Balance as of December 31, 2012
<b>Assets</b>							
Other asset-backed securities	\$ 32	\$ -	\$ -	\$ (24)	\$ 3	\$ (11)	\$ -
Common stock	141	-	-	-	-	(3)	138
Limited partnerships	1,131,827	-	(3,400)	(39,715)	28,904	132,929	1,250,545
Derivative instruments	5,531	-	-	-	-	(5,531)	-

The components of the amounts included in purchases, sales, issuances and settlements shown above are as follows (in thousands):

**December 31, 2013**

	Purchases	Sales	Issuances	Settlements	Total
<b>Assets</b>					
Common stock	\$ 111	\$ -	\$ -	\$ -	\$ 111
Limited partnerships	142,165	(153,087)	-	-	(10,922)
Total	\$ 142,276	\$ (153,087)	\$ -	\$ -	\$ (10,811)

**December 31, 2012**

	Purchases	Sales	Issuances	Settlements	Total
<b>Assets</b>					
Fixed maturities					
Other asset-backed securities	\$ -	\$ (11)	\$ -	\$ -	\$ (11)
Common stock	-	(3)	-	-	(3)
Limited partnerships	235,813	(102,884)	-	-	132,929
Derivative instruments	-	(5,531)	-	-	(5,531)
Total	\$ 235,813	\$ (108,429)	\$ -	\$ -	\$ 127,384

For the year ended December 31, 2013, other asset-backed securities with a fair value of \$0.3 million were transferred from level 2 to level 3 as a result of the use of significant unobservable inputs as the Company was not able to obtain pricing from an independent, third-party pricing service. For the year ended December 31, 2012, other invested assets with a fair value of \$3.4 million were transferred out of Level 3 as a result of no longer being carried at fair value. There were no transfers between Level 1 and 2 of the fair value hierarchy during 2013 or 2012.



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**Aggregate Fair Value of the Company's Financial Instruments**

The following tables detail the aggregate fair value of the Company's financial instruments (in thousands):

<b>December 31, 2013</b>	Aggregate	Admitted			
Description	Fair Value	Value	Level 1	Level 2	Level 3
Assets at fair value:					
Bonds	\$ 47,981,561	\$ 45,406,807	\$ 4,454,768	\$ 43,497,874	\$ 28,919
Preferred stock	5,894	382	5,894	-	-
Common stock	464,227	464,227	463,978	-	249
Mortgage loans	6,281,783	6,066,903	-	-	6,281,783
Cash and cash equivalents	(60,389)	(60,389)	(60,389)	-	-
Short-term investments	409,513	409,513	409,513	-	-
Policy loans	4,360,855	4,360,855	-	-	4,360,855
Derivative instruments	415,898	358,529	-	415,898	-
Limited partnership interests	1,346,414	1,346,414	-	-	1,346,414
Securities lending assets	86,998	86,998	86,998	-	-
Separate account assets	102,494,340	102,494,340	102,494,340	-	-
Total assets at fair value	<u>\$ 163,787,094</u>	<u>\$ 160,934,579</u>	<u>\$ 107,855,102</u>	<u>\$ 43,913,772</u>	<u>\$ 12,018,220</u>
Liabilities at fair value:					
Reserves for life insurance and annuities <sup>(1)</sup>	\$ 37,027,085	\$ 35,136,323	\$ -	\$ 1,283,153	\$ 35,743,932
Liability for deposit-type contracts	5,610,954	5,442,168	-	-	5,610,954
Payable for securities lending	86,998	86,998	-	86,998	-
Funds held under reinsurance treaties	3,396,987	3,379,532	-	-	3,396,987
Separate account liabilities	102,494,340	102,494,340	102,494,340	-	-
Repurchase agreements	415,271	415,271	-	415,271	-
Derivative instruments	877	877	-	877	-
Total liabilities at fair value	<u>\$ 149,032,512</u>	<u>\$ 146,955,509</u>	<u>\$ 102,494,340</u>	<u>\$ 1,786,299</u>	<u>\$ 44,751,873</u>
<b>December 31, 2012</b>					
Description	Aggregate	Admitted			
	Fair Value	Value	Level 1	Level 2	Level 3
Assets at fair value:					
Bonds	\$ 51,376,843	\$ 45,468,633	\$ 5,400,317	\$ 45,912,710	\$ 63,816
Preferred stock	4,028	1,386	4,026	-	2
Common stock	338,787	338,787	338,649	-	138
Mortgage loans	5,949,401	5,521,251	-	-	5,949,401
Cash and cash equivalents	(39,990)	(39,990)	(39,990)	-	-
Short-term investments	483,187	483,187	483,187	-	-
Policy loans	4,263,356	4,263,356	-	-	4,263,356
Derivative instruments	1,308,551	371,327	(10,773)	1,319,324	-
Limited partnership interests	1,262,711	1,262,711	-	-	1,262,711
Securities lending assets	144,125	144,125	144,125	-	-
Separate account assets	75,557,457	75,557,457	75,557,457	-	-
Total assets at fair value	<u>\$ 140,648,456</u>	<u>\$ 133,372,230</u>	<u>\$ 81,876,998</u>	<u>\$ 47,232,034</u>	<u>\$ 11,539,424</u>
Liabilities at fair value:					
Reserves for life insurance and annuities <sup>(1)</sup>	\$ 38,351,529	\$ 35,355,092	\$ -	\$ 964,387	\$ 37,387,142
Liability for deposit-type contracts	5,407,758	5,193,702	-	-	5,407,758
Securities lending liabilities	144,125	144,125	-	144,125	-
Funds held under reinsurance treaties	3,285,118	3,229,459	-	-	3,285,118
Separate account liabilities	75,557,457	75,557,457	75,557,457	-	-
Derivative instruments	(159,413)	(159,413)	-	(159,413)	-
Total liabilities at fair value	<u>\$ 122,586,574</u>	<u>\$ 119,320,422</u>	<u>\$ 75,557,457</u>	<u>\$ 949,099</u>	<u>\$ 46,080,018</u>

(1) Annuity reserves represent only the components of deposits on investment contracts that are considered to be financial instruments.

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There were no financial instruments for which it was not practicable to estimate fair value.

**Note 5 - Investments**

Investments are comprised primarily of debt securities and commercial mortgage loans. Debt securities primarily include publicly traded industrial, loan-backed, utility and government bonds. Loan-backed securities include mortgage-backed and other structured securities. The Company generates the majority of its general account deposits from interest-sensitive individual annuity contracts, life insurance products and guaranteed investment contracts on which it has committed to pay a declared rate of interest. The Company's strategy of investing in fixed-income securities aims to ensure matching of the asset yield with the amounts credited to the interest-sensitive liabilities and to earn a stable return on its investments.

With the Company's primarily fixed-rate securities portfolio, it is exposed to interest rate risk, which is the risk that interest rates will change and cause a change in the value of its investments. Additionally, changes in interest rates may cause certain interest-sensitive products to become uncompetitive or may cause disintermediation. The Company mitigates this risk by charging fees for surrenders in early policy years, by offering products that transfer this risk to the purchaser and/or by attempting to match the maturity schedule of its assets with the expected payouts of its liabilities. To the extent that liabilities come due more quickly than assets mature, the Company could potentially have to borrow funds or sell assets prior to maturity and potentially recognize a gain or loss.

**Debt Securities, Common and Preferred Stock**

Debt securities consist of bonds and short-term investments. Cost or amortized cost, gross unrealized gains and losses, estimated fair value and book/adjusted carrying value of the Company's debt securities and unaffiliated equity investments are as follows (in thousands):

	<b>Cost or Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>	<b>Book/Adjusted Carrying Value</b>
<b>December 31, 2013</b>					
Governments	\$ 4,343,095	\$ 220,132	\$ 61,650	\$ 4,501,577	\$ 4,343,095
Special revenue and special assessment	861,821	95,570	6,213	951,178	861,821
Industrial and miscellaneous	33,607,904	2,385,707	373,026	35,620,585	33,607,904
Residential mortgage-backed	2,775,283	83,694	50,195	2,808,782	2,774,683
Commercial mortgage-backed	3,329,582	322,479	33,082	3,618,979	3,324,084
Other asset-backed	905,292	19,084	34,403	889,973	904,733
Total debt securities	45,822,977	3,126,666	558,569	48,391,074	45,816,320
Common and preferred stock	429,561	39,721	4,673	464,609	464,609
Total securities	<u>\$ 46,252,538</u>	<u>\$3,166,387</u>	<u>\$ 563,242</u>	<u>\$ 48,855,683</u>	<u>\$ 46,280,929</u>
	<b>Cost or Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>	<b>Book/Adjusted Carrying Value</b>
<b>December 31, 2012</b>					
Governments	\$ 4,528,453	\$ 898,355	\$ -	\$ 5,426,808	\$ 4,528,453
Special revenue and special assessment	881,833	267,591	-	1,149,424	881,833
Industrial and miscellaneous	32,447,871	4,187,257	24,604	36,610,524	32,447,881
Residential mortgage-backed	3,651,234	182,869	72,074	3,762,029	3,648,593
Commercial mortgage-backed	3,535,522	541,260	47,442	4,029,340	3,525,990
Other asset-backed	926,087	25,653	69,870	881,870	919,070
Total debt securities	45,971,000	6,102,985	213,990	51,859,995	45,951,820
Common and preferred stock	325,158	18,657	997	342,818	340,176
Total securities	<u>\$ 46,296,158</u>	<u>\$ 6,121,642</u>	<u>\$ 214,987</u>	<u>\$ 52,202,813</u>	<u>\$ 46,291,996</u>

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The amount of gross unrealized losses and the associated estimated fair value of debt securities and stocks (excluding wholly-owned subsidiaries) are as follows (in thousands):

	Less than 12 months		12 months or longer		Total	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
<b>December 31, 2013</b>						
Governments	\$ 61,650	\$ 1,501,545	\$ -	\$ -	\$ 61,650	\$ 1,501,545
Special revenue and special assessment	6,213	61,096	-	-	6,213	61,096
Industrial and miscellaneous	323,550	7,024,952	49,476	505,243	373,026	7,530,195
Residential mortgage-backed	18,426	570,912	31,769	357,174	50,195	928,086
Commercial mortgage-backed	13,248	301,304	19,834	69,499	33,082	370,803
Other asset-backed	2,180	172,309	32,223	158,144	34,403	330,453
Total debt securities	425,267	9,632,118	133,302	1,090,060	558,569	10,722,178
Common and preferred stock	4,618	101,652	55	933	4,673	102,585
Total temporarily impaired securities	\$ 429,885	\$ 9,733,770	\$ 133,357	\$ 1,090,993	\$ 563,242	\$ 10,824,763

  

	Less than 12 months		12 months or longer		Total	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
<b>December 31, 2012</b>						
Industrial and miscellaneous	\$ 21,046	\$ 1,070,493	\$ 3,558	\$ 136,589	24,604	1,207,082
Residential mortgage-backed	682	11,864	71,392	567,806	72,074	579,670
Commercial mortgage-backed	1,186	23,563	46,256	80,047	47,442	103,610
Other asset-backed	167	48,201	69,703	242,840	69,870	291,041
Total debt securities	23,081	1,154,121	190,909	1,027,282	213,990	2,181,403
Common and preferred stock	997	32,374	-	-	997	32,374
Total temporarily impaired securities	\$ 24,078	\$ 1,186,495	\$ 190,909	\$ 1,027,282	\$ 214,987	\$ 2,213,777

Debt securities include investments in mortgage-backed securities which are collateralized by residential mortgage loans (“RMBS”) and are neither explicitly nor implicitly guaranteed by U.S. government agencies. The Company’s non-agency RMBS include investments in securities backed by prime, Alt-A, and subprime loans as follows (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Book/Adjusted Carrying Value
<b>December 31, 2013</b>					
Prime	\$ 495,677	\$ 14,262	\$ 5,879	\$ 504,060	\$ 495,186
Alt-A	429,173	6,145	7,424	427,894	429,151
Subprime	418,972	6,554	23,605	401,921	418,886
Total non-agency RMBS	\$ 1,343,822	\$ 26,961	\$ 36,908	\$ 1,333,875	\$ 1,343,223

  

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Book/Adjusted Carrying Value
<b>December 31, 2012</b>					
Prime	\$ 694,571	\$ 26,642	\$ 12,130	\$ 709,083	\$ 693,047
Alt-A	497,682	12,444	8,733	501,393	497,682
Subprime	448,923	4,192	51,210	401,905	447,806
Total non-agency RMBS	\$ 1,641,176	\$ 43,278	\$ 72,073	\$ 1,612,381	\$ 1,638,535

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The Company defines its exposure to non-agency RMBS as follows. Prime loan-backed securities are collateralized by mortgage loans made to the highest rated borrowers. Alt-A loan-backed securities are collateralized by mortgage loans made to borrowers who lack credit documentation or necessary requirements to obtain prime borrower rates. Subprime loan-backed securities are collateralized by mortgage loans made to borrowers that have a FICO score of 680 or lower. 87% of the Company's investments in Alt-A related mortgage-backed securities and 79% of the Company's investments in subprime related mortgage-backed securities are rated investment grade by the NAIC.

Debt securities also include investments in securities which are collateralized by commercial mortgage loans ("CMBS"). The carrying value and estimated fair value of the Company's investment in CMBS are \$3.3 billion and \$3.6 billion, respectively, at December 31, 2013. 99% of these investments are rated investment grade by the NAIC.

Corporate securities include direct investments in below investment grade syndicated bank loans. Unlike most corporate debentures, syndicated bank loans are collateralized by specific tangible assets of the borrowers. As such, investors in these securities that become impaired have historically experienced less severe losses than corporate bonds. The carrying value and estimated fair value of the Company's direct investments in bank loans are \$52.1 million and \$51.9 million, respectively, at December 31, 2013.

Of the total carrying value for bonds in an unrealized loss position at December 31, 2013, 94% were investment grade and 6% were below investment grade based on NAIC designation. Unrealized losses on bonds that were below investment grade comprised approximately 12% of the aggregate gross unrealized losses on debt securities.

Corporate bonds in an unrealized loss position were diversified across industries. As of December 31, 2013, the industries comprising the larger proportion of unrealized losses included healthcare (9% of bonds gross unrealized losses) and basic industry (9%). The largest unrealized loss related to a single corporate obligor was \$5.6 million at December 31, 2013.

The amortized cost, gross unrealized gains and losses, estimated fair value and book/adjusted carrying value of debt securities at December 31, 2013, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities where securities can be called or pre-paid with or without early redemption penalties.

<b>Maturity distribution</b> (in thousands)	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>	<b>Book/ Adjusted Carrying Value</b>
Due in 1 year or less	\$ 1,602,842	\$ 29,809	\$ 26	\$ 1,632,625	\$ 1,602,842
Due after 1 year through 5 years	8,014,780	805,554	2,063	8,818,271	8,014,780
Due after 5 years through 10 years	21,273,814	1,247,419	281,451	22,239,782	21,273,814
Due after 10 years through 20	2,882,404	293,617	32,628	3,143,393	2,882,404
Due after 20 years	5,038,980	325,010	124,721	5,239,269	5,038,980
Residential mortgage-backed	2,775,283	83,694	50,195	2,808,782	2,774,683
Commercial mortgage-backed	3,329,582	322,479	33,082	3,618,979	3,324,084
Other asset-backed	905,292	19,084	34,403	889,973	904,733
Total debt securities	<u>\$45,822,977</u>	<u>\$ 3,126,666</u>	<u>\$ 558,569</u>	<u>\$ 48,391,074</u>	<u>\$ 45,816,320</u>

Effective yields, which are used to calculate amortization, are adjusted periodically to reflect actual payments to date and anticipated future payments. Other than as discussed below for certain loan-backed securities, resultant adjustments to carrying values are included in investment income using the retrospective method. Prepayment assumptions for loan-backed securities were obtained from independent providers of broker-dealer estimates.

With regard to certain loan-backed securities deemed to be high-risk, meaning the Company might not recover substantially all of its recorded investment, changes in investment yields due to changes in estimated future cash flows are accounted for on a prospective basis. The book/adjusted carrying value of securities changing from the retrospective to the prospective methodology in 2013 and 2012 was \$31.3 million and \$95.9 million, respectively.

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Debt securities are classified into six NAIC quality categories. These categories range from Class 1 (the highest) to Class 6 (the lowest). Performing securities are designated Classes 1 - 5. Securities in or near default are designated Class 6. Securities designated as Class 3, 4, 5, and 6 are non-investment grade securities. If a designation is not currently available from the NAIC, the Company's investment advisor provides the designation. At December 31, 2013, the Company's investment advisor provided the designation for debt securities with carrying values and estimated fair values of \$206.2 million and \$201.1 million, respectively.

The NAIC approved guidance to adjust the ratings (NAIC 1 through NAIC 6) for CMBS, RMBS and certain asset-backed securities. For CMBS and RMBS, the guidance replaces NRSRO ratings with a two-step process based upon the book and/or carrying values of each security and prices derived from models developed by an independent third party contracted by the NAIC. For certain asset-backed securities, the guidance replaces NRSRO ratings with a two-step process based upon the book and/or carrying values of each security and prices derived from generic models. This method acknowledges that securities which have a lower comparative carrying value would have a lower risk of further loss and, therefore, a higher rating.

The Company's debt securities by NAIC designation are as follows at December 31, 2013 (in thousands):

<b>Quality category per NAIC designation</b>	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>	<b>Book/Adjusted Carrying Value</b>
(in thousands)					
Class 1	\$ 24,617,534	\$ 1,736,879	\$ 267,655	\$ 26,086,758	\$ 24,617,448
Class 2	19,393,378	1,272,732	224,948	20,441,162	19,393,378
Class 3	1,245,131	77,351	35,604	1,286,878	1,245,131
Class 4	465,136	28,837	18,002	475,971	465,136
Class 5	84,998	4,210	6,303	82,905	84,484
Class 6	16,800	6,657	6,057	17,400	10,743
Total debt securities	<u>\$ 45,822,977</u>	<u>\$ 3,126,666</u>	<u>\$ 558,569</u>	<u>\$ 48,391,074</u>	<u>\$ 45,816,320</u>

The book/adjusted carrying value and fair value of debt securities in default that were anticipated to be income producing when purchased were \$0 and \$5.6 million, respectively, at December 31, 2013 and \$30 thousand and \$7.4 million, respectively, at December 31, 2012. The book/adjusted carrying value and fair value of debt securities that were non-income producing for the 12 months preceding December 31, 2013 were \$5 thousand and \$6.6 million, respectively, and for the 12 months preceding December 31, 2012 were \$30 thousand and \$8.5 million, respectively.

Debt securities with a book/adjusted carrying value of \$117.8 million and \$102.3 million at December 31, 2013 and 2012, respectively, were on deposit with regulatory authorities as required by law in various states in which business is conducted.

At December 31, 2013 and 2012, debt securities with a book/adjusted carrying value of \$1,874.3 million and \$1,983.4 million, respectively, were held in trust pursuant to the retro treaties with Swiss Re.

#### **Other-Than-Temporary Impairment**

The Company periodically reviews its debt securities and stocks on a case-by-case basis to determine if any decline in fair value to below cost or amortized cost is other-than-temporary. Factors considered in determining whether a decline is other-than-temporary include the length of time a security has been in an unrealized loss position, reasons for the decline in value, expectations for the amount and timing of a recovery in fair value, and the Company's intent and ability not to sell a security prior to a recovery in fair value. If it is determined that a decline in fair value of an investment is temporary, an impairment loss is not recorded. If the decline is considered to be other-than-temporary, a realized loss is recorded in the statement of operations. The AVR is also charged for the realized loss, with an offsetting credit to surplus.

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Securities the Company determines are underperforming or potential problem securities are subject to regular review. To facilitate the review, securities with significant declines in value, or where other objective criteria evidencing credit deterioration have been met, are included on a watch list. Among the criteria for securities to be included on a watch list are: credit deterioration that has led to a significant decline in fair value of the security; a significant covenant related to the security has been breached; or an issuer has filed or indicated a possibility of filing for bankruptcy, has missed or announced it intends to miss a scheduled interest or principal payment, or has experienced a specific material adverse change that may impair its creditworthiness.

In performing these reviews, the Company considers the relevant facts and circumstances relating to each investment and exercises considerable judgment in determining whether a security is other-than-temporarily impaired. Assessment factors include judgments about an obligor's current and projected financial position, an issuer's current and projected ability to service and repay its debt obligations, the existence of, and realizable value of, any collateral backing the obligations and the macro-economic and micro-economic outlooks for specific industries and issuers. This assessment may also involve assumptions regarding underlying collateral such as prepayment rates, default and recovery rates, and third-party servicing capabilities.

Among the specific factors considered are whether the decline in fair value results from a change in the credit quality of the security itself, or from a downward movement in the market as a whole, and the likelihood of recovering the carrying value based on the near-term prospects of the issuer. Unrealized losses that are considered to be primarily the result of market conditions (e.g., minor increases in interest rates, temporary market illiquidity or volatility, or industry-related events) and where the Company also believes there exists a reasonable expectation for recovery in the near term are usually determined to be temporary. To the extent that factors contributing to impairment losses recognized affect other investments, such investments are also reviewed for other-than-temporary impairment and losses are recorded when appropriate.

In addition to the review procedures described above, investments in asset-backed securities where market prices are depressed are subject to a review of their future estimated cash flows, including expected and stress case scenarios, to identify potential shortfalls in contractual payments. These estimated cash flows are developed using available performance indicators from the underlying assets including current and projected default or delinquency rates, levels of credit enhancement, current subordination levels, vintage, expected loss severity and other relevant characteristics. These estimates reflect a combination of data derived by third parties and internally developed assumptions. Where possible, this data is benchmarked against third-party sources.

Even in the case of severely depressed market values on asset-backed securities, the Company places significant reliance on the results of its cash flow testing and its lack of an intent to sell these securities until their fair values recover when reaching other-than-temporary impairment conclusions with regard to these securities. Other-than-temporary impairment charges are recorded on asset-backed securities when the Company forecasts a contractual payment shortfall.

For mortgage-backed securities, credit impairment is assessed using a cash flow model that estimates the cash flows on the underlying mortgages, using the security-specific collateral characteristics and transaction structure. The model estimates cash flows from the underlying mortgage loans and distributes those cash flows to various tranches of securities, considering the transaction structure and any subordination and credit enhancements existing in that structure. The cash flow model incorporates actual cash flows on the mortgage-backed securities through the current period and then projects the remaining cash flows using a number of assumptions, including prepayment speeds, default rates and loss severity.

Specifically for prime and Alt-A RMBS, the assumed default percentage is dependent on the severity of delinquency status, with foreclosures and real estate owned receiving higher rates, but also includes the currently performing loans. As of December 31, 2013 and 2012, assumed default rates for delinquent loans ranged from 15% to 100%. At both December 31, 2013 and 2012, assumed loss severities were applied to generate and analyze cash flows of each bond and ranged from 30% to 70%.



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Management develops specific assumptions using available market data, including internal estimates and references to data published by rating agencies and other third-party sources. These estimates are extrapolated along a default timing curve to estimate the total lifetime pool default rate.

The Company currently intends to hold securities with unrealized losses not considered other-than-temporary until they mature or for sufficient time to recover the amortized cost. However, if there are changes in the specific facts and circumstances surrounding a security, or the outlook for its industry sector, the Company may sell the security and realize a loss.

There were no loan-backed securities with a recognized other-than-temporary impairment where the Company has either the intent to sell the securities or may be forced to sell the securities prior to a recovery in value as of the statement date.

In 2013 and 2012, the Company recognized other-than-temporary impairments of \$13.4 million and \$85.1 million, respectively, related to loan-backed and structured securities. See Note 17 for a table detailing securities with recognized other-than-temporary impairment charges during 2013, where the Company has (or had at the quarterly reporting date) the intent and ability to hold the securities for sufficient time to recover the amortized cost.

The following table summarizes other-than-temporary impairment charges recorded for the years ended December 31, 2013 and 2012 (in thousands):

	<u>2013</u>	<u>2012</u>
Residential mortgage-backed securities:		
Prime	\$ 1,376	\$ 6,723
Alt-A	2,795	11,623
Subprime	2,491	9,149
Industrial and miscellaneous	2,104	8,878
Asset-backed securities	3,153	55,065
Limited partnership interests	36,765	45,630
Other	4,428	11,011
Total other-than-temporary impairment charges	<u>\$ 53,112</u>	<u>\$ 148,079</u>

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**Realized Gains and Losses on Investments**

Net realized gains and losses on investments are as follows (in thousands):

	<b>Years Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
Sales of bonds		
Gross gains	\$ 175,960	\$ 598,475
Gross losses	(18,372)	(86,379)
Sales of stocks		
Gross gains	30,992	8,845
Gross losses	(651)	(5,058)
Derivative instruments	(2,285,494)	(1,517,462)
Mortgage loans on real estate	940	2,881
Other assets	2,921	9,984
Other-than-temporary impairment losses	(53,112)	(148,079)
Net realized losses	<u>\$ (2,146,816)</u>	<u>\$ (1,136,793)</u>
Net gains allocated to IMR	\$ 275,454	\$ 700,971
Net losses allocated to AVR	(2,422,270)	(1,837,764)
Net realized losses	<u>\$ (2,146,816)</u>	<u>\$ (1,136,793)</u>
Net losses allocated to AVR	\$ (2,422,270)	\$ (1,837,764)
Tax benefit	818,231	667,905
Other, net of tax	(1,430)	(32,149)
Reported net realized losses	<u>\$ (1,605,469)</u>	<u>\$ (1,202,008)</u>

Proceeds from the sale of bonds totaled \$2.3 billion and \$5.6 billion in 2013 and 2012, respectively.

**Loan-Backed and Structured Securities**

The Company has no significant concentrations as defined in SSAP No. 27, *Disclosure of Information about Financial Instruments with Off-Balance-Sheet Risk, Financial Instruments with Concentrations of Credit Risk and Disclosures about Fair Value of Financial Instruments*, arising from its investment in loan-backed securities.

The following table summarizes loan-backed and structured securities in an unrealized loss position as of December 31, 2013 (in thousands):

	<u>Total</u>	<u>&lt;12 Months</u>	<u>12+ Months</u>
Fair Value	\$ 1,629,342	\$ 1,070,672	\$ 558,670
Unrealized Loss	\$ 117,680	\$ 36,090	\$ 81,590

The carrying value and fair value of all loan-backed and structured securities, regardless of whether the security was in an unrealized loss position, were \$7.0 billion and \$7.3 billion, respectively, at December 31, 2013.

**Mortgage Loans on Commercial Real Estate**

At December 31, 2013, mortgage loans were collateralized by properties located in 43 states. Jackson's commercial mortgage loan portfolio does not include single-family residential mortgage loans, and is therefore not exposed to the risk of defaults associated with residential subprime mortgage loans. The minimum and maximum lending rates for loans issued in 2013 were 2.8% and 5.6%, respectively. The maximum percentage of any one loan to the value of the security at the time of the loan, exclusive of insured or guaranteed or purchase money mortgages, was 80.0%.

During 2013, Jackson purchased \$97.0 million of mortgage loans at fair value from its wholly owned subsidiary, Hermitage. Jackson sold mortgage and other loans with a fair value of \$6.2 million and \$5.5 million during 2013 and 2012, respectively, to Hermitage.



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The following table provides a summary of the allowance for losses in Jackson's commercial mortgage loan portfolio at December 31, 2013 and 2012 (in thousands):

	2013	2012
Balance at beginning of year	\$ 2,277	\$ 2,277
Charge-offs	(871)	-
Recoveries	-	-
Net charge-offs	(871)	-
Provision for loan losses	(1,054)	-
Balance at end of year	<u>\$ 352</u>	<u>\$ 2,277</u>

The following table provides a summary of the allowance for losses in Jackson's commercial mortgage loan portfolio (in thousands):

	<b>Allowance for Loan Losses</b>	<b>Recorded Investment</b>
<b>At December 31, 2013:</b>		
Individually evaluated for impairment	\$ 352	\$ 80,258
Collectively evaluated for impairment	-	-
Total	<u>\$ 352</u>	<u>\$ 80,258</u>
<b>At December 31, 2012:</b>		
Individually evaluated for impairment	\$ 2,277	\$ 19,536
Collectively evaluated for impairment	-	-
Total	<u>\$ 2,277</u>	<u>\$ 19,536</u>

The table below illustrates the delinquency status and accrual status of Jackson's commercial mortgage loan holdings as of December 31, 2013 and 2012 (in thousands). Delinquency status is determined from the date of the first missed contractual payment.

		<b>Accruing</b>					
		<b>Less than 60 days delinquent</b>	<b>60 days to 90 days delinquent</b>	<b>90 days or more delinquent</b>	<b>Total accruing</b>	<b>Non- accrual</b>	<b>Total</b>
<b>2013</b>	\$ 6,066,903	\$ -	\$ -	\$ -	\$ 6,066,903	\$ -	\$ 6,066,903
<b>2012</b>	\$ 5,521,251	\$ -	\$ -	\$ -	\$ 5,521,251	\$ -	\$ 5,521,251

During 2013 and 2012, Jackson had no loans placed on non-accrual and no adjustments to interest income for such loans.

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Under Jackson's policy for monitoring commercial mortgage loans, all impaired commercial mortgage loans continue to be closely evaluated subsequent to impairment. The table below summarizes the recorded investment, unpaid principal balance, related loan allowance, average recorded investment and investment income recognized on impaired loans during 2013 and 2012 (in thousands):

	<b>Recorded Investment</b>	<b>Unpaid Principal Balance</b>	<b>Related Loan Allowance</b>	<b>Average Recorded Investment</b>	<b>Investment Income Recognized</b>
<b>At December 31, 2013:</b>					
Impaired Loans with a Valuation Allowance					
Office	\$ 7,950	\$ 9,173	\$ 352	\$ 5,827	\$ 391
Total	7,950	9,173	352	5,827	391
Impaired Loans without a Valuation Allowance					
Apartment	865	863	-	72	12
Hotel	50,533	52,978	-	14,706	738
Office	20,910	20,837	-	4,328	255
Total	72,308	74,678	-	19,106	1,005
Total Impaired Loans					
Apartment	865	863	-	72	12
Hotel	50,533	52,978	-	14,706	738
Office	28,860	30,010	352	10,155	646
Total	<u>\$ 80,258</u>	<u>\$ 83,851</u>	<u>\$ 352</u>	<u>\$ 24,933</u>	<u>\$ 1,396</u>
	<b>Recorded Investment</b>	<b>Unpaid Principal Balance</b>	<b>Related Loan Allowance</b>	<b>Average Recorded Investment</b>	<b>Investment Income Recognized</b>
<b>At December 31, 2012:</b>					
Impaired Loans with a Valuation Allowance					
Hotel	\$ 11,386	\$ 11,386	\$ 2,277	\$ 11,386	\$ 369
Total	11,386	11,386	2,277	11,386	369
Impaired Loans without a Valuation Allowance					
Hotel	6,000	9,527	-	500	290
Office	2,150	3,220	-	734	993
Total	8,150	12,747	-	1,234	1,283
Total Impaired Loans					
Hotel	17,386	20,913	2,277	11,886	659
Office	2,150	3,220	-	734	993
Warehouse	-	-	-	15	-
Total	<u>\$ 19,536</u>	<u>\$ 24,133</u>	<u>\$ 2,277</u>	<u>\$ 12,635</u>	<u>\$ 1,652</u>

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The following table provides information about the credit quality of commercial mortgage loans as of December 31, 2013 and 2012 (in thousands):

	<b>In Good</b>		<b>Greater than</b>	<b>In the</b>	<b>Total</b>
<b>December 31, 2013</b>	<b>Standing</b>	<b>Restructured</b>	<b>90 Days</b>	<b>Process of</b>	<b>Carrying</b>
			<b>Delinquent</b>	<b>Foreclosure</b>	<b>Value</b>
Apartment	\$ 1,891,153	\$ -	\$ -	\$ -	\$ 1,891,153
Hotel	495,385	50,532	-	-	545,917
Office	741,496	28,860	-	-	770,356
Retail	1,133,176	-	-	-	1,133,176
Warehouse	1,726,301	-	-	-	1,726,301
Total	<u>\$ 5,987,511</u>	<u>\$ 79,392</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,066,903</u>

  

	<b>In Good</b>		<b>Greater than</b>	<b>In the</b>	<b>Total</b>
<b>December 31, 2012</b>	<b>Standing</b>	<b>Restructured</b>	<b>90 Days</b>	<b>Process of</b>	<b>Carrying</b>
			<b>Delinquent</b>	<b>Foreclosure</b>	<b>Value</b>
Apartment	\$ 1,315,351	\$ -	\$ -	\$ -	\$ 1,315,351
Hotel	537,146	-	-	-	537,146
Office	875,789	-	-	-	875,789
Retail	1,044,753	-	-	-	1,044,753
Warehouse	1,748,212	-	-	-	1,748,212
Total	<u>\$ 5,521,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,521,251</u>

The following table provides information about commercial mortgage loans involved in a troubled debt restructuring as of December 31, 2013 (in thousands, except number of contracts):

	<b>Number of</b>	<b>Pre-Modification</b>	<b>Post-Modification</b>
	<b>Contracts</b>	<b>Outstanding</b>	<b>Outstanding</b>
		<b>Recorded Investment</b>	<b>Recorded Investment</b>
Troubled Debt Restructuring			
Office	1	\$ 6,477	\$ 7,950

During 2012, there were no commercial mortgage loans involved in a troubled debt restructuring.

**Limited Partnership and Limited Liability Interests**

The limited partnerships and limited liability companies, in which the Company has an interest, primarily invest in securities. Income recognized by the Company was \$538.0 million and \$412.0 million in 2013 and 2012, respectively. In 2013 and 2012, \$182.7 million and \$66.5 million, respectively, of unrealized gains (losses) were credited directly to surplus, including \$372.5 million and \$260.5 million, respectively, of membership distributions from subsidiaries. The Company recognized impairment writedowns of \$36.8 million and \$45.6 million on limited partnerships and limited liability companies during 2013 and 2012, respectively.

**Securities Lending**

The Company has entered into securities lending agreements with agent banks whereby blocks of securities are loaned to third parties, primarily major brokerage firms. At December 31, 2013 and 2012, the estimated fair value of loaned securities was \$85.0 million and \$140.1 million, respectively. The agreements require a minimum of 102 percent of the fair value of the loaned securities to be held as collateral, calculated on a daily basis. To further minimize the credit risks related to these programs, the financial condition of the counterparties is monitored on a regular basis. At December 31, 2013 and 2012, unrestricted cash collateral received in the amount of \$87.0 million and \$144.1 million, respectively, was included in other invested assets of the Company. In 2013 and 2012, an offsetting liability of \$87.0 million and \$144.1 million, respectively, is included in payable for securities lending on the accompanying Statutory Statements of Admitted Assets, Liabilities, Capital and Surplus.

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**Note 6 – Derivative Instruments**

The Company enters into financial derivative transactions, including, but not limited to, swaps, put-swaptions, futures and options to reduce and manage business risks. These transactions manage the risk of a change in the value, yield, price, cash flows, credit quality or degree of exposure with respect to assets, liabilities or future cash flows which the Company has acquired or incurred.

Derivative instruments are held primarily for hedging purposes. Derivative instruments afforded hedge accounting treatment are stated at either amortized cost or fair value and are accounted for in a manner consistent with the hedged items. Derivative instruments not afforded hedge accounting treatment are stated at fair value. Hedge accounting practices are supported by cash flow matching, duration matching or scenario testing.

Fair values for derivative instruments are based on quoted market prices, estimates received from financial institutions, or valuation models and generally reflect the estimated amounts that the Company would receive or pay upon sale or termination of the contracts as of the reporting date.

Cash requirements for derivative instrument activities are limited to settlements, payment commitments on swaps, margin requirements on cleared derivatives, and collateral posting requirements in accordance with derivatives' counterparty agreements.

The Company manages the potential credit exposure for over-the-counter derivative contracts through careful evaluation of the counterparty credit standing, collateral agreements, and master netting agreements. The Company is exposed to credit-related losses in the event of non-performance by counterparties; however, it does not anticipate non-performance. There were no charges incurred related to derivative counterparty non-performance during 2013 or 2012.

All of the Company's significant over-the-counter financial derivative counterparty master agreements contain netting provisions allowing for the offset of contractual payments either due from or due to counterparties. To the extent that the net market value of aggregate contracts with individual counterparties exceeds established threshold amounts, collateral posting in favor of the exposed party is required. Collateral must be high quality liquid securities or cash as directed by the agreements.

All of these master agreements also contain downgrade triggers that allow the party potentially harmed by the downgrade to, at its option, cause the related transactions to be unwound at market value or to be assigned to a different counterparty. All of these triggers are set in the BBB range and refer to Jackson's claims paying rating and the counterparty's senior debt rating. The intent of the triggers is to provide for a more orderly unwind of positions than might otherwise take place in the event of a bankruptcy. During 2013, a counterparty triggered, however, the Company elected not to exercise their option at that time, without surrendering the right to do so at a later date. No such event occurred during 2012.

Interest rate swap agreements used for hedging purposes generally involve the exchange of fixed and floating payments based on a notional contract amount over the period for which the agreement remains outstanding without an exchange of the underlying notional amount.

With the permitted practice described in Note 2, interest rate swap agreements at December 31, 2013 and 2012 are included in derivatives reported at amortized cost. Net amounts paid or received on interest rate swaps and interest accruals are included in investment income.

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Put-swaption contracts provide the purchaser with the right, but not the obligation, to require the writer to pay the present value of a long-term interest rate swap at future exercise dates. The Company purchases and writes put-swaptions for hedging purposes with original maturities of up to 10 years. Put-swaptions hedge against movements in interest rates. Written put-swaptions may be entered into in conjunction with associated put-swaptions purchased from the same counterparties (“linked put-swaptions”). Linked put-swaptions have identical notional amounts and strike prices, but have different underlying swap terms. Linked put-swaptions are presented at the fair value of the net position for each pair of contracts.

Put-swaption contracts and put-swaption contracts written are included in derivatives, both at fair value. Changes in fair value are recorded as unrealized capital gains or losses.

Equity index futures contracts and equity index options (including various call and put options) are used to hedge the Company’s overall net exposure to equities. Equity index put options are included in derivatives reported at fair value.

Equity index call options transacted through year-end 2002 are accounted for as hedges. Realized gains and losses on options are included in income consistent with the increase in the reserve for the associated fixed index annuities. Premiums paid or received for equity index call options are included in net investment income ratably over the terms of the options. Equity index call options transacted after 2002 are included in derivatives reported at fair value and changes in fair value are recorded as unrealized capital gains or losses.

Futures contracts are executed on regulated exchanges through brokers. Carrying value is equal to the initial cash margin and is included in derivative assets. Changes in variation margin are recorded as unrealized capital gains or losses.

Total return swaps, for which the Company receives returns based on reference pools of assets in exchange for short-term floating rate payments based on notional amounts, are held for both hedging and investment purposes, and are carried at fair value. As of December 31, 2013, Jackson held no such derivatives.

Cross-currency swaps, which embody spot and forward currency swaps and, in some cases, interest rate and equity index swaps, are entered into for the purpose of hedging the Company issued foreign currency denominated guaranteed investment contracts.

Cross-currency swaps transacted through year-end 2002 are included in derivatives at amortized cost. Cross-currency swaps transacted after 2002 are included in derivatives reported at fair value. Amounts paid or received are netted with amounts paid or received on the hedged foreign currency denominated guaranteed investment contracts. Changes in fair value are recorded as unrealized capital gains or losses.

Credit default swaps, with maturities up to five years, are agreements where the Company has purchased default protection on certain underlying corporate bonds held in its portfolio. These contracts allow the Company to sell the protected bonds at par value to the counterparty if a defined “default event” occurs, in exchange for periodic payments made by the Company for the life of the agreement. Credit default swaps are carried at fair value and included in derivatives. Changes in fair value are recorded as unrealized capital gains or losses. The Company does not currently sell default protection using credit default swaps or other similar derivative instruments.

The fair value of derivatives reflects the estimated amounts, net of payment accruals, which the Company would receive or pay upon sale or termination of the contracts at the reporting date. With respect to swaps and put-swaptions, the notional amount represents the stated principal balance used as a basis for calculating payments. With respect to futures and options, the contractual amount represents the market exposure of outstanding positions.

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A summary of the aggregate contractual or notional amounts, carrying values and fair values for derivative instruments outstanding is as follows (in thousands):

<b>December 31, 2013</b>							
	<b>Assets</b>			<b>Liabilities</b>			<b>Net Fair Value</b>
	<b>Contractual/ Notional Amount</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Contractual/ Notional Amount</b>	<b>Carrying Value</b>	<b>Fair Value</b>	
Cross-currency swaps	\$ 358,896	\$ 27,958	\$ 79,845	\$ -	\$ -	\$ -	\$ 79,845
Equity index call options	5,548,700	211,220	218,624	-	-	-	218,624
Equity index put options	42,550,000	119,739	119,739	-	-	-	119,739
Put-swaptions	-	-	-	8,000,000	(877)	(877)	(877)
Futures	6,075,630	-	-	-	-	-	-
Credit default swaps	25,000	(363)	(363)	-	-	-	(363)
Interest rate swaps	25,200,000	(25)	(1,947)	-	-	-	(1,947)
Total	<u>\$ 79,758,226</u>	<u>\$ 358,529</u>	<u>\$ 415,898</u>	<u>\$ 8,000,000</u>	<u>\$ (877)</u>	<u>\$ (877)</u>	<u>\$ 415,021</u>

  

<b>December 31, 2012</b>							
	<b>Assets</b>			<b>Liabilities</b>			<b>Net Fair Value</b>
	<b>Contractual/ Notional Amount</b>	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Contractual/ Notional Amount</b>	<b>Carrying Value</b>	<b>Fair Value</b>	
Cross-currency swaps	\$ 527,333	\$ 96,732	\$ 140,792	\$ -	\$ -	\$ -	\$ 140,792
Equity index call options	5,557,900	143,740	143,780	1,000,000	(238,652)	(238,652)	(94,872)
Equity index put options	37,850,000	144,590	144,591	-	-	-	144,591
Put-swaptions	3,500,000	-	-	4,500,000	398,065	398,065	398,065
Futures	6,212,937	(10,773)	(10,773)	-	-	-	(10,773)
Credit default swaps	170,000	(7,155)	(7,155)	-	-	-	(7,155)
Interest rate swaps	28,550,000	4,193	897,316	-	-	-	897,316
Total	<u>\$ 82,368,170</u>	<u>\$ 371,327</u>	<u>\$ 1,308,551</u>	<u>\$ 5,500,000</u>	<u>\$ 159,413</u>	<u>\$ 159,413</u>	<u>\$ 1,467,964</u>

All of Jackson's master swap agreements contain credit downgrade provisions that allow a party to assign or terminate derivative transactions if the counterparty's credit rating declines below an established limit. At December 31, 2013 and 2012, the fair value of Jackson's net derivative assets by counterparty were \$692.8 million and \$1,546.6 million, respectively, and held collateral was \$787.7 million and \$1,760.7 million, respectively, related to these agreements. At December 31, 2013 and 2012, the fair value of Jackson's net derivative liabilities by counterparty was \$277.7 million and \$78.6 million, respectively, and provided collateral was \$208.2 million and \$36.3 million, respectively, related to these agreements. If all of the downgrade provisions had been triggered at December 31, 2013 or 2012, Jackson would have had to disburse \$164.5 million and \$256.4 million, respectively, to counterparties, representing the net fair values of derivatives by counterparty, less collateral held.

**Jackson National Life Insurance Company**  
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**Note 7 - Investment Income**

The sources of net investment income by major category are as follows (in thousands):

	<b>Years Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
Debt securities	\$ 2,313,819	\$ 2,534,531
Derivative instruments	201,535	160,298
Limited partnership interests	165,455	147,501
Mortgage loans on commercial real estate	292,685	290,201
Policy loans	391,066	372,212
Other investment income	376,917	284,300
Total investment income	3,741,477	3,789,043
Less interest expense	52,082	60,706
Less investment expenses	29,504	39,219
Net investment income	<u>\$ 3,659,891</u>	<u>\$ 3,689,118</u>

**Note 8 - Reinsurance**

The Company assumes and cedes reinsurance from and to other insurance companies in order to limit losses from large exposures; however, if the reinsurer is unable to meet its obligations, the originating issuer of the coverage retains the liability. The Company reinsures certain of its risks to other reinsurers under a yearly renewable term, coinsurance or modified coinsurance basis. The Company monitors the financial strength rating of reinsurers on a monthly basis.

Effective December 31, 2008, the Company entered into a reinsurance agreement with Jackson New York, whereby the Company assumed, on a 90% quota share basis, the guaranteed minimum withdrawal benefits ("GMWB") on variable annuity contracts issued by Jackson New York and in force at December 31, 2008. On June 30, 2013, the Company amended the reinsurance agreement to include the GMWB on all current and future variable annuity contracts issued by Jackson New York. The amendment resulted in assumed premiums of \$3.7 million and a decrease in reserves of \$5.5 million. In accordance with NAIC SAP, the net, after tax, surplus impact of the amendment of \$7.2 million was excluded from net income and reported directly in surplus.

During 2013 and 2012, the reinsurance agreement resulted in assumed premiums of \$31.4 million and \$6.5 million, respectively. At December 31, 2013 and 2012, the liability for the assumed reserves totaled \$0 and \$6.2 million, respectively.

The Company has also acquired certain lines of business that are wholly ceded to non-affiliates. These include both direct and assumed accident and health business, direct and assumed life insurance business, and certain institutional annuities.

As a pre-closing condition to the acquisition, described in Note 3, and after receipt of all required regulatory approvals, REALIC entered into three retro treaties with Swiss Re on July 1, 2012. Pursuant to these retro treaties, REALIC ceded to Swiss Re on a 100% coinsurance basis certain blocks of business written or assumed by REALIC. These blocks of business include the disability income and accident and health business written or assumed by REALIC, a mix of life and annuity insurance business written or assumed by REALIC, and the corporate owned life insurance business assumed by REALIC.



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Pursuant to the retro treaties, the Company holds certain assets, primarily in the form of policy loans and fixed maturities, as collateral. This collateral is reported as funds held under reinsurance treaties on the balance sheet. The income and realized gains on these assets are included in income with a corresponding offset reported in interest on funds withheld treaties, with no impact on net income. At December 31, 2013 and 2012, this funds held liability was \$3.4 billion and \$3.2 billion, respectively.

Prior to Jackson's acquisition of REALIC, reserve requirements for certain term policies with a ceding insurer were in dispute between the ceding insurer and Swiss Re. Under the terms of the purchase agreement, Jackson was obligated to continue the negotiations. In October 2013, all parties agreed on a resolution, which resulted in the ceding insurer recapturing a portion of the business that was ceded to Jackson, resulting in additional income of \$20.4 million.

The effect of reinsurance on premiums and benefits was as follows (in thousands):

	<b>Years Ended December 31,</b>	
	<b>2013</b>	<b>2012</b>
Direct premiums and annuity considerations	\$ 23,059,421	\$ 22,580,623
Reinsurance assumed	240,024	423,323
Reinsurance ceded	(563,259)	(4,647,645)
Total premiums and annuity considerations	<u>\$ 22,736,186</u>	<u>\$ 18,356,301</u>
Direct benefits to policyholders and beneficiaries	\$ 11,711,877	\$ 10,549,669
Reinsurance assumed	419,201	579,891
Reinsurance ceded	(799,069)	(835,238)
Total benefits to policyholders and beneficiaries	<u>\$ 11,332,008</u>	<u>\$ 10,294,322</u>

Policy reserves and liabilities are stated net of reinsurance ceded to other companies. Reserves ceded were \$7.2 billion and \$7.1 billion at December 31, 2013 and 2012, respectively. Reserves ceded to Brooke Life totaled \$40.1 million and \$44.5 million at December 31, 2013 and 2012, respectively.

**Note 9 - Federal Income Taxes**

The Company is subject to federal income taxation as a life insurance company and files a consolidated federal income tax return with Brooke Life, Jackson National Life Insurance Company of New York and Reassure America Life Insurance Company from its acquisition date through its merger into the Company on December 31, 2012. The Company has entered into a written tax sharing agreement that is generally based on separate return calculations. Intercompany balances are settled on a quarterly basis.

In 2013 and 2012, tax benefits of \$34.9 million and \$36.0 million, respectively, primarily resulting from Brooke Life's interest deductions on its notes payable of \$105.6 million and \$106.3 million in 2013 and 2012, respectively, were recognized by the Company in accordance with the tax sharing agreement.

The Company is generally no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years prior to 2009.



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**Net Deferred Tax Asset**

The components of the net DTA at December 31 are as follows (in thousands):

	December 31, 2013			December 31, 2012			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
Total gross DTA	\$ 1,225,856	\$ 80,692	\$ 1,306,548	\$ 1,308,661	\$ 76,021	\$ 1,384,682	\$ (82,805)	\$ 4,671	\$ (78,134)
Statutory Valuation Allowance	-	-	-	-	-	-	-	-	-
Adjusted gross DTA	1,225,856	80,692	1,306,548	1,308,661	76,021	1,384,682	(82,805)	4,671	(78,134)
DTA Nonadmitted	46,531	-	46,531	114,560	-	114,560	(68,029)	-	(68,029)
Subtotal Net Admitted DTA	1,179,325	80,692	1,260,017	1,194,101	76,021	1,270,122	(14,776)	4,671	(10,105)
Deferred Tax Liabilities	(458,512)	(152,711)	(611,223)	(401,515)	(98,162)	(499,677)	(56,997)	(54,549)	(111,546)
Net admitted DTA	\$ 720,813	\$ (72,019)	\$ 648,794	\$ 792,586	\$ (22,141)	\$ 770,445	\$ (71,773)	\$ (49,878)	\$ (121,651)

Admission calculation components for SSAP No. 101 are as follows (in thousands):

	December 31, 2013			December 31, 2012			Change		
	Ordinary	Capital	Total	Ordinary	Capital	Total	Ordinary	Capital	Total
(a) Federal Income Taxes Paid in Prior Years Recoverable through Loss Carrybacks	\$ 184,661	\$ 19,889	\$ 204,550	\$ 326,923	\$ 23,395	\$ 350,318	\$ (142,262)	\$ (3,506)	\$ (145,768)
(b) Adjusted Gross DTA Expected to be Realized After Application of the Threshold Limitation (Lesser of (b)1 or (b)2 below)	433,916	10,328	444,244	420,127	-	420,127	13,789	10,328	24,117
1. Adjusted Gross DTA Expected to be Realized Following the Balance Sheet Date			444,244			420,127			24,117
2. Adjusted Gross DTA Allowed per Limitation Threshold			559,983			635,049			(75,066)
(c) Adjusted Gross DTA (Excluding the Amount of DTA From (a) and (b) above) Offset by Gross DTL	560,748	50,475	611,223	447,051	52,626	499,677	113,697	(2,151)	111,546
(d) DTA Admitted as the result of application of SSAP No. 101	\$ 1,179,325	\$ 80,692	\$ 1,260,017	\$ 1,194,101	\$ 76,021	\$ 1,270,122	\$ (14,776)	\$ 4,671	\$ (10,105)

	2013	2012
Ratio Percentage Used to Determine Recovery Period and Threshold Limitation Amount	777.9%	763.3%
Amount of Adjusted Capital and Surplus Used to Determine Recovery Period and Threshold Limitation Amount (in thousands)	\$ 4,158,485	\$ 4,255,222

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The impact of tax planning strategies was as follows (in thousands):

	December 31, 2013		December 31, 2012		Change	
	Ordinary	Capital	Ordinary	Capital	Ordinary	Capital
Determination of Adjusted						
Gross DTA and Net Admitted DTA, by						
Tax Character as a Percentage						
1. Adjusted Gross DTAs	\$ 1,225,856	\$ 80,692	\$ 1,308,661	\$ 76,021	\$ (82,805)	\$ 4,671
2. Percentage of Adjusted Gross DTAs by						
Tax Character Attributable to the Impact						
of Tax Planning Strategies	0%	0%	0%	5%	0%	-5%
3. Net Admitted Adjusted Gross DTAs	\$ 1,179,325	\$ 80,692	\$ 1,194,101	\$ 76,021	\$ (14,776)	\$ 4,671
4. Percentage of Net Admitted Adjusted						
Gross DTAs by Tax Character Admitted						
Because of the Impact of Tax Planning						
Strategies	0%	0%	0%	5%	0%	-5%

The Company's tax-planning strategies do not include the use of reinsurance.

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The main components of the DTAs and deferred tax liabilities are as follows (in thousands):

	2013	2012	Change
Deferred tax assets resulting from book/tax differences in:			
Ordinary:			
Deferred acquisition costs	\$ 403,722	\$ 409,633	\$ (5,911)
Insurance reserves	451,464	650,324	(198,860)
Unrealized hedge losses	115,694	-	115,694
Investments	15,608	47,402	(31,794)
Deferred compensation	97,147	91,940	5,207
Deferred and uncollected premium	1,232	3,670	(2,438)
Net operating loss carryforward	89,696	53,800	35,896
Other	51,293	51,892	(599)
Total ordinary gross & adjusted gross deferred tax assets	1,225,856	1,308,661	(82,805)
Deferred tax assets nonadmitted	(46,531)	(114,560)	68,029
Admitted ordinary gross deferred tax assets per NAIC SAP	1,179,325	1,194,101	(14,776)
Capital:			
Investments	74,103	75,744	(1,641)
Unrealized capital losses	6,589	-	6,589
Other	-	277	(277)
Total capital gross & adjusted gross deferred tax assets	80,692	76,021	4,671
Deferred tax assets nonadmitted	-	-	-
Admitted capital gross deferred tax assets per NAIC SAP	80,692	76,021	4,671
Total admitted deferred tax assets	\$ 1,260,017	\$ 1,270,122	\$ (10,105)
Deferred tax liabilities resulting from book/tax differences in:			
Ordinary:			
Investments	\$ 153,782	\$ 164,288	\$ (10,506)
Fixed assets	11,363	14,631	(3,268)
Insurance reserves	175,728	176,155	(427)
Unrealized hedge gains	73,415	-	73,415
Due and deferred premium	42,837	45,246	(2,409)
Other	1,388	1,195	193
Total ordinary deferred tax liabilities	458,513	401,515	56,998
Total capital deferred tax liabilities	152,710	98,162	54,548
Total deferred tax liabilities	611,223	499,677	111,546
Total net admitted deferred tax asset	\$ 648,794	\$ 770,445	\$ (121,651)

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The change in the net deferred income taxes is comprised of the following (this analysis is exclusive of the non-admitted DTAs as the Change in Non-admitted Assets is reported separately from the Change in Net Deferred Income Taxes in the Statutory Statements of Capital and Surplus) (in thousands):

	2013	2012	Change
Total deferred tax assets	\$ 1,306,548	\$ 1,384,682	\$ (78,134)
Total deferred tax liabilities	(611,223)	(499,677)	(111,546)
Net deferred tax assets/liabilities	695,325	885,005	(189,680)
Statutory valuation allowance adjustment	-	-	-
Net DTA after statutory valuation allowance adjustment	695,325	885,005	(189,680)
Tax effect of unrealized gains (losses)	83,256	98,161	(14,905)
Change in net deferred income tax	<u>\$ 778,581</u>	<u>\$ 983,166</u>	<u>\$ (204,585)</u>

There are no temporary differences for which deferred tax liabilities have not been recognized. Accordingly, there are no events that would cause unrecognized temporary differences to become taxable. There are no unrecognized deferred tax liabilities in foreign subsidiaries and foreign corporate joint ventures that are permanent in duration.

**Taxes Incurred**

Current income taxes incurred consist of the following major components (in thousands):

	2013	2012	Change
Operations			
Federal taxes from operations	\$ 624,785	\$ 656,734	\$ (31,949)
Federal tax benefit on capital losses	(725,535)	(449,628)	(275,907)
Other	(54,364)	(21,217)	(33,147)
Total federal current taxes incurred	<u>\$ (155,114)</u>	<u>\$ 185,889</u>	<u>\$ (341,003)</u>

Federal taxes incurred are reflected in the accompanying statements as follows (in thousands):

	2013	2012
Federal taxes incurred	\$ 562,272	\$ 703,604
Capital gains tax transferred to AVR	(818,231)	(787,643)
Taxes transferred to IMR	102,101	272,189
Taxes on liability gains released from the IMR	(1,256)	(2,261)
Total federal current taxes incurred	<u>\$ (155,114)</u>	<u>\$ 185,889</u>

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A reconciliation of the more significant book to tax differences and the related tax effects (at a 35% statutory rate) is as follows (in thousands):

	Years Ended December 31,			
	2013		2012	
	<u>Amount</u>	<u>Tax Effect</u>	<u>Amount</u>	<u>Tax Effect</u>
Income before taxes	\$ 757,677	\$ 265,187	\$ 1,463,948	\$ 512,382
BLIC benefit	(99,671)	(34,885)	(102,972)	(36,040)
Dividends received deduction	(725,673)	(253,986)	(476,162)	(166,657)
Interest maintenance reserve	(175,304)	(61,356)	(517,149)	(181,002)
LLC impact	424,233	148,482	304,161	106,456
Amortization of value of business acquired and goodwill	82,870	29,005	19,414	6,795
Other	(61,783)	(21,624)	(59,714)	(20,900)
Taxable income and current tax on operations	<u>\$ 202,349</u>	<u>\$ 70,822</u>	<u>\$ 631,526</u>	<u>\$ 221,034</u>
Federal and foreign taxes incurred		\$ 570,422		\$ 635,517
Tax on capital losses		(725,535)		(449,628)
Change in net deferred taxes		204,585		35,145
True-ups to prior year deferred taxes		21,350		-
Total statutory taxes		<u>\$ 70,822</u>		<u>\$ 221,034</u>

At December 31, 2013, the Company had a federal tax ordinary loss carryforward of \$256.3 million, which begins to expire in 2026, attributable to the Company's acquisition of REALIC.

In 2007, the Internal Revenue Service ("IRS") issued Revenue Ruling 2007-54 that would have changed accepted industry and IRS interpretations of the statutes governing the computation of the Dividends Received Deduction ("DRD") on separate account assets held in connection with variable annuity and life contracts, but that ruling was suspended by Revenue Ruling 2007-61. Revenue Ruling 2007-61 also announced the Treasury Department's and the IRS's intention to issue regulations with respect to certain computational aspects of the DRD on separate account assets held in connection with variable contracts. In February 2014, the IRS issued Revenue Ruling 2014-7, which merely republishes the first noncontroversial holding of Revenue 2007-54 regarding the amount of life insurance reserves taken into account for tax purposes for a variable annuity when some or all of the reserves are part of the Company's separate account reserves. The new revenue ruling modifies and supersedes Revenue Ruling 2004-54, which effectively revokes the second controversial holding of Revenue Ruling 2007-54 that had a negative impact of DRD computations. The new ruling also states that Revenue Ruling 2007-61 is obsolete. This administrative action does not foreclose future regulations on the computation of the Company's share of the DRD. However, it is likely that any regulations that the IRS proposes for issuance in this area will be subject to public notice and comment, at which time insurance companies and other interested parties will have the opportunity to raise legal and practical questions about the content, scope and application of such regulations. Although regulations that represent a substantial change in an interpretation of the law are generally given a prospective effective date, there is no assurance that the change will not be retrospectively applied. As a result, depending on the ultimate timing and substance of any such regulations, which are unknown at this time, such future regulations could result in the elimination of some or all of the separate account DRD tax benefit that the Company receives. In January 2010, Jackson received a formal Notice of Assessment from the IRS disallowing the separate account DRD. Jackson disagreed with the assessment and filed a protest with the Appellate Division of the IRS. In February 2013, the IRS fully conceded the separate account DRD issue in favor of the Company after obtaining approval from the Joint Committee on Taxation. The Company recognized an income tax benefit related to the separate account DRD, including a true-up of prior year's estimate, of \$127.4 million and \$100.2 million during 2013 and 2012, respectively.

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In February 2012, the Company's parent, Brooke Life Insurance Company, received a Notice of Proposed Adjustment from the IRS regarding an assessment related to its tax treatment of interest expense on intercompany debt in 2007 and 2008. Due to the intercompany tax sharing agreement, the effect of an adjustment, if any, would impact Jackson's tax expense. The total aggregate exposure to the Company is approximately \$203.7 million. Brooke Life did not agree with the assessment, believed its position was sustainable and filed a protest with the Appellate Division of the IRS. In March 2014, the IRS formally conceded the debt / equity issue for the years under examination in favor of the Company.

The following are income taxes incurred in the current year and prior years that will be available for recoupment in the event of future net losses:

	Ordinary		Capital		Total	
2013	\$	-	\$	-	\$	-
2012	\$	182,340,303	\$	93,845,700	\$	276,186,003
2011	\$	28,142,796	\$	11,799,929	\$	39,942,725

Losses from operations may be carried back three taxable years to recoup prior income taxes incurred. The Company has no deposits under IRC Section 6603.

The Company does not believe that it is reasonably possible that the liability related to any federal or foreign tax loss contingencies will significantly increase within the next 12 months.

**Note 10 - Capital, Surplus and Dividend Restrictions**

Under Michigan insurance law, while Jackson must provide notification to the Michigan commissioner of insurance prior to payment of any dividend, ordinary dividends on capital stock may only be distributed out of earned surplus, excluding any unrealized capital gains and the effect of permitted practices (referred to as adjusted earned surplus). At December 31, 2013, adjusted earned surplus was approximately \$855.6 million. Ordinary dividends are also limited to the greater of 10% of statutory surplus as of the preceding year-end, excluding any increase arising from the application of permitted practices, or the statutory net income, excluding any net realized investment gains, for the twelve month period ended on the preceding December 31. The commissioner may approve payment of dividends in excess of these amounts, which would be deemed an extraordinary dividend. The maximum dividend that can be paid in 2014, subject to the availability of earned surplus, without prior approval of the commissioner is approximately \$720.9 million.

The Company received no capital contributions during 2013 or 2012.

The Company made dividend payments to Brooke Life of \$507.0 million and \$400.0 million, respectively, in 2013 and 2012.

The Company received a net return of capital of \$242.0 million and \$7.5 million in 2013 and 2012, respectively, from its wholly-owned subsidiary, Hermitage Management, LLC.

In 2012, REALIC paid a pre-close dividend of \$632.2 million to its then immediate parent Swiss Re Life & Health America Inc.

The NAIC has developed certain risk-based capital ("RBC") requirements for life insurance companies. Under those requirements, compliance is determined by a ratio of a company's total adjusted capital, calculated in a manner prescribed by the NAIC ("TAC") to its authorized control level RBC, calculated in a manner prescribed by the NAIC ("ACL RBC"). Companies below specific trigger points or ratios are classified within certain levels, each of which requires specified corrective action. The minimum level of TAC before corrective action commences is twice ACL RBC ("Company action level RBC"). At December 31, 2013 and 2012, the Company's TAC was more than 400% of the Company action level RBC.

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**Note 11 - Debt**

**Surplus Notes**

On March 15, 1997, the Company issued 8.15% surplus notes in the principal amount of \$250.0 million due March 15, 2027. These surplus notes were issued pursuant to Rule 144A under the Securities Act of 1933, and are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims and may not be redeemed at the option of the Company or any holder prior to maturity.

Under Michigan insurance law, the surplus notes are not part of the legal liabilities of the Company and are considered capital and surplus for statutory reporting purposes. Payments of interest or principal may only be made with the prior approval of the commissioner of insurance of the state of Michigan and only out of surplus earnings which the commissioner determines to be available for such payments under Michigan insurance law.

Interest is payable semi-annually on March 15 and September 15 of each year. Interest paid on surplus notes was \$20.4 million in both 2013 and 2012.

**Federal Home Loan Bank Advances**

Jackson is a member of the FHLBI, as described in Note 2, primarily for the purpose of participating in its mortgage-collateralized loan advance program with short-term and long-term funding facilities. Advances are in the form of short-term or long-term notes or funding agreements issued to FHLBI and are collateralized by CMBS and other structured securities.

In 2010, Jackson received a mortgage loan from the FHLBI, under its community investment program. The loan, which matures in 2014, accrues interest at 1.04% and the outstanding balance was \$5.0 million and \$10.0 million as of December 31, 2013 and 2012, respectively. Jackson paid \$57 thousand and \$111 thousand of interest on this mortgage loan during 2013 and 2012, respectively. At both December 31, 2013 and 2012, the mortgage loan was collateralized by real estate with a carrying value of \$20.0 million.

Jackson entered into a short-term advance program with the FHLBI in which interest rates were either fixed or variable based on the FHLBI cost of funds or market rates. Advances averaged \$38.6 million and \$155.0 million during 2013 and 2012, respectively, at weighted average interest rates of 0.2% for both 2013 and 2012. At December 31, 2013, there were \$200.0 million of short-term notes with an interest rate of 0.14% included in Federal Home Loan Bank advances. There were no advances outstanding at December 31, 2012. Jackson paid interest on these notes of \$77 thousand and \$260 thousand during 2013 and 2012, respectively. The largest outstanding balance at any month end during 2013 and 2012 was \$250.0 million, respectively.

**Repurchase Agreements**

The Company routinely enters into repurchase agreements whereby the Company agrees to sell and repurchase securities. These agreements are accounted for as financing transactions, with the assets and associated liabilities included in the balance sheet. Short-term borrowings under such agreements averaged \$229.4 million and \$176.7 million during 2013 and 2012, respectively, with weighted average interest rates of 0.8% in 2013 and 0.2% in 2012. As of December 31, 2013, the outstanding balance was \$415.3 million. At December 31, 2012, there was no outstanding balance. Interest paid totaled \$0.2 million and \$0.4 million in 2013 and 2012, respectively. The highest level of short-term borrowings at any month end was \$691.5 million in 2013 and \$544.7 million in 2012.

**Note 12 - Life and Annuity Reserves**

The Company waives deductions of deferred fractional premiums upon death of the insured and returns premiums paid and due beyond the date of death. A reserve is held where a surrender value is promised in excess of the minimum required basic reserves.

At December 31, 2013 and 2012, 83% and 81%, respectively, of annuity reserves and deposit liabilities were subject to surrender charges of at least 5% or at market value in the event of discretionary withdrawal by policyholders.

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For policies issued on substandard lives, either the gross premiums are calculated on a rated age basis, or an extra premium is charged in addition to the standard premium at the true issue age. Mean reserves are calculated as the regular mean reserve for the plan at the rated age, the regular mean reserve for the plan at the true issue age plus one-half (1/2) of the extra premium charged, or a substandard reserve based on the appropriate multiple of the standard.

The Company had insurance in force, for which the gross premiums are less than the net premiums of approximately \$19.9 billion and \$25.5 billion, at December 31, 2013 and 2012, respectively, according to the valuation standard set by the state of Michigan.

The Company's incurred but not reported claim provision is based on the Company's historical experience. The provision was \$109.2 million and \$129.9 million at December 31, 2013 and 2012, respectively.

The Company issued variable annuity and life contracts through its separate accounts for which investment income and investment gains and losses accrue directly to, and investment risk is borne by, the contract holder (traditional variable annuities and life). The Company also issues variable annuity contracts through separate accounts where the Company contractually guarantees to the contract holder (variable contracts with guarantees) either a) return of no less than total deposits made to the contract adjusted for any partial withdrawals, b) total deposits made to the contract adjusted for any partial withdrawals plus a minimum return, or c) the highest contract value on a specified anniversary date adjusted for any withdrawals following the contract anniversary.

These guarantees include benefits that are payable in the event of death (guaranteed minimum death benefit ("GMDB")), annuitization (guaranteed minimum income benefit ("GMIB")), at specified dates during the accumulation period (GMWB) or at the end of a specified period (guaranteed minimum accumulated benefit ("GMAB")).



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The Company provided variable annuity contracts with guarantees, for which the net amount at risk is the amount of guaranteed benefit in excess of current account value, as follows (dollars in millions):

<b>December 31, 2013</b>	<b>Minimum Return</b>	<b>Separate Account Value</b>	<b>Net Amount at Risk</b>	<b>General Account Reserve <sup>(1)</sup></b>	<b>Weighted Average Attained Age</b>
Return of net deposits plus a minimum return					
GMDB	0-6%	\$ 83,040.1	\$ 2,028.3		64.7
GMWB - premium only	0%	3,458.9	55.7		
GMWB - for life	0-5% *	8,537.8	73.9		
GMAB - premium only	0%	95.1	0.2		
Total				\$ 11.9	
Highest specified anniversary account value minus withdrawals post-anniversary					
GMDB		7,913.0	182.0		64.6
GMWB - highest anniversary only		3,135.8	145.4		
GMWB - for life		1,122.0	98.7		
Total				0.6	
Combination net deposits plus minimum return, highest specified anniversary account value minus withdrawals post-anniversary					
GMDB	0-6%	5,833.0	360.1		66.9
GMIB	0-6%	2,588.2	500.1		
GMWB - for life	0-8% *	64,005.1	1,648.1		
Total				0.6	

<sup>(1)</sup> Before reinsurance assumed or ceded.

\* Ranges shown based on simple interest. The upper limits of 5% or 8% simple interest are approximately equal to 4.1% and 6%, respectively, on a compound interest basis over a typical 10-year bonus period.

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<b>December 31, 2012</b>	<b>Minimum Return</b>	<b>Separate Account Value</b>	<b>Net Amount at Risk</b>	<b>General Account Reserve <sup>(1)</sup></b>	<b>Weighted Average Attained Age</b>
Return of net deposits plus a minimum return					
GMDB	0-6%	\$ 63,073.5	\$ 2,921.3		64.4
GMWB - premium only	0%	3,323.3	138.3		
GMWB - for life	0-5% *	5,254.4	138.7		
GMAB - premium only	0%	86.2	0.8		
Total				\$ 283.4	
Highest specified anniversary account value minus withdrawals post-anniversary					
GMDB		6,413.0	451.7		64.0
GMWB - highest anniversary only		2,841.0	370.8		
GMWB - for life		1,071.2	212.5		
Total				26.7	
Combination net deposits plus minimum return, highest specified anniversary account value minus withdrawals post-anniversary					
GMDB	0-6%	4,397.6	565.0		66.4
GMIB	0-6%	2,461.2	725.9		
GMWB - for life	0-8% *	47,600.6	2,927.5		
Total				23.1	

<sup>(1)</sup> Before reinsurance assumed or ceded.

\* Ranges shown based on simple interest. The upper limits of 5% or 8% simple interest are approximately equal to 4.1% and 6%, respectively, on a compound interest basis over a typical 10-year bonus period.

Amounts shown as GMWB above include a 'not-for-life' component up to the point at which the guaranteed withdrawal benefit is exhausted, after which benefits paid are considered to be 'for-life' benefits. For this table, the net amount at risk of the 'not-for-life' component is the undiscounted excess of the guaranteed withdrawal benefit over the account value, and that of the 'for-life' component is the estimated value of additional life contingent benefits paid after the guaranteed withdrawal benefit is exhausted.

The average period until expected annuitization for the GMIB is 2.4 years and 3.3 years as of December 31, 2013 and 2012, respectively. GMIB benefits are reinsured, subject to aggregate annual claim limits. Deductibles also apply on reinsurance of GMIB business issued since March 1, 2005. Reinsurance credits of \$5.7 million and \$6.9 million were taken in 2013 and 2012, respectively. Due to the inability to economically reinsure or hedge new issues of the GMIB, the Company discontinued offering the benefit in 2009.

Account balances of contracts with guarantees were invested in variable separate accounts as follows (in millions):

	December 31,	
Fund type:	2013	2012
Equity	\$ 63,284	\$ 43,979
Bond	15,659	16,043
Balanced	16,794	12,760
Money market	1,118	1,142
Total	<u>\$ 96,856</u>	<u>\$ 73,923</u>

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Reserves for variable annuities and associated guarantees are calculated using Actuarial Guideline 43. Required direct reserves and net amounts at risk associated with guaranteed benefits were \$13.1 million and \$5.1 billion, respectively, at December 31, 2013 and \$333.2 million and \$8.5 billion, respectively, at December 31, 2012.

Analysis of annuity reserves and deposit liabilities by withdrawal characteristics is as follows (in thousands):

<b>December 31, 2013</b>				
	<b>General Account</b>	<b>Guaranteed Separate Account</b>	<b>Nonguaranteed Separate Account</b>	<b>Total</b>
Subject to discretionary withdrawal:				
With market value adjustment	\$ 4,542,699	\$ 10,563	\$ -	\$ 4,553,262
At book value less current surrender				
charge of 5% or more	13,276,233	-	-	13,276,233
At fair value	350	-	97,502,708	97,503,058
Total with adjustment or at market value	17,819,282	10,563	97,502,708	115,332,553
At book value with surrender charge				
of less than 5%	18,104,694	-	-	18,104,694
Not subject to discretionary withdrawal	5,977,489	-	15,626	5,993,115
Total gross	41,901,465	10,563	97,518,334	139,430,362
Reinsurance ceded	346,978	-	-	346,978
Total, net of reinsurance	<u>\$ 41,554,487</u>	<u>\$ 10,563</u>	<u>\$ 97,518,334</u>	<u>\$ 139,083,384</u>

<b>December 31, 2012</b>				
	<b>General Account</b>	<b>Guaranteed Separate Account</b>	<b>Nonguaranteed Separate Account</b>	<b>Total</b>
Subject to discretionary withdrawal:				
With market value adjustment	\$ 4,806,705	\$ 11,512	\$ -	\$ 4,818,217
At book value less current surrender				
charge of 5% or more	15,211,018	-	-	15,211,018
At fair value	736	-	71,217,083	71,217,819
Total with adjustment or at market value	20,018,459	11,512	71,217,083	91,247,054
At book value with surrender charge				
of less than 5%	15,561,900	-	-	15,561,900
Not subject to discretionary withdrawal	5,752,736	-	3,711	5,756,447
Total gross	41,333,095	11,512	71,220,794	112,565,401
Reinsurance ceded	367,689	-	-	367,689
Total, net of reinsurance	<u>\$ 40,965,406</u>	<u>\$ 11,512</u>	<u>\$ 71,220,794</u>	<u>\$ 112,197,712</u>

**Universal Life Insurance Secondary Guarantees**

The Company previously issued universal life contracts with secondary guarantees, also called “no-lapse” guarantees. No-lapse guarantees are offered in the form of minimum premium guarantees or no-lapse account values. Reserves are calculated according to the Standard Valuation Law, Universal Life Insurance Model Regulation, Valuation of Life Insurance Policies Model Regulation, and Actuarial Guideline 38.

Reserves for variable universal life contracts are calculated according to the Standard Valuation Law, Universal Life Insurance Model Regulation, Variable Life Insurance Model Regulation and Actuarial Guideline 37. Reserve balances were \$100.8 million and \$83.1 million at December 31, 2013 and 2012, respectively.

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At December 31, 2013 and 2012, approximately 89% and 88%, respectively, of the Company's fixed interest rate annuity account values correspond to crediting rates that are at the minimum guaranteed interest rates. The following tables show the distribution of the fixed interest rate annuities' account values within the presented ranges of minimum guaranteed interest rates at December 31 (in millions):

<b>2013</b>				
<b>Minimum Guaranteed Interest Rate</b>	<b>Account Value</b>			
	<b>Fixed</b>	<b>Fixed Index</b>	<b>Variable</b>	<b>Total</b>
1.0%	\$ 1,455.5	\$ 1,108.7	\$ 2,141.0	\$ 4,705.3
>1.0% - 2.0%	2,572.7	7,922.6	2,918.3	13,413.6
>2.0% - 3.0%	8,883.5	3,647.2	980.3	13,511.0
>3.0% - 4.0%	1,927.0	-	-	1,927.0
>4.0% - 5.0%	2,418.2	-	-	2,418.2
>5.0% - 5.5%	326.5	-	-	326.5
Total	<u>\$ 17,583.4</u>	<u>\$ 12,678.5</u>	<u>\$ 6,039.6</u>	<u>\$ 36,301.6</u>

  

<b>2012</b>				
<b>Minimum Guaranteed Interest Rate</b>	<b>Account Value</b>			
	<b>Fixed</b>	<b>Fixed Index</b>	<b>Variable</b>	<b>Total</b>
1.0%	\$ 888.5	\$ 1,118.1	\$ 1,920.6	\$ 3,927.2
>1.0% - 2.0%	3,013.7	6,926.3	3,225.6	13,165.6
>2.0% - 3.0%	9,236.6	3,463.2	992.9	13,692.7
>3.0% - 4.0%	2,008.2	-	-	2,008.2
>4.0% - 5.0%	2,467.6	-	-	2,467.6
>5.0% - 5.5%	340.3	-	-	340.3
Total	<u>\$ 17,954.9</u>	<u>\$ 11,507.6</u>	<u>\$ 6,139.1</u>	<u>\$ 35,601.6</u>

**Note 13 – Separate Accounts**

All reserves of the non-guaranteed separate accounts are subject to discretionary withdrawal at fair value. Reserves for minimum guaranteed death benefits on variable life and annuity contracts, as well as minimum guaranteed living benefits on variable annuity contracts, are held in the general account. All assets of the separate accounts are carried at fair value. Premiums, considerations or deposits totaled \$16.6 billion and \$15.4 billion for 2013 and 2012, respectively. Reserves in the separate accounts totaled \$97.6 billion and \$71.3 billion at December 31, 2013 and 2012, respectively.

A reconciliation of net transfers to separate accounts for the years ended December 31, 2013 and 2012 is as follows (in thousands):

	<b>2013</b>	<b>2012</b>
Transfers as reported in the Summary of Operations of the Separate Accounts Statement:		
Transfers to separate accounts	\$ 19,117,590	\$ 17,986,853
Transfers from separate accounts	<u>5,753,132</u>	<u>5,197,626</u>
Net transfers to separate accounts	13,364,458	12,789,227
Reconciling adjustments:		
Benefit fees (guaranteed minimum income/withdrawal) and other	(853,497)	(362,606)
Other	<u>5,083</u>	<u>9,441</u>
Transfers as reported in the accompanying Statements of Operations	<u>\$ 12,516,044</u>	<u>\$ 12,436,062</u>

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The difference between the CARVM reserve and the fair value of assets is recognized as an expense allowance in the general account. The total CARVM allowance reduced the general account liability by \$4.9 billion and \$4.3 billion at December 31, 2013 and 2012, respectively.

**Note 14 - Employee Retirement Plans**

The Company has a defined contribution retirement plan covering substantially all employees. To be eligible to participate in the Company's contribution, an employee must have attained the age of 21, completed at least 1,000 hours of service in a 12-month period and passed their 12-month employment anniversary. In addition, the employee must be employed on the applicable January 1 or July 1 entry date. The Company's annual contributions, as declared by the board of directors, are based on a percentage of eligible compensation paid to participating employees during the year. In addition, the Company matches a participant's elective contribution, up to 6 percent of eligible compensation, to the plan during the year. The Company's expense related to this plan was \$21.9 million and \$18.4 million in 2013 and 2012, respectively.

The Company maintains non-qualified voluntary deferred compensation plans for certain agents and employees. At December 31, 2013 and 2012, the liability for such plans totaled \$186.6 million and \$130.9 million, respectively. Jackson invests in selected mutual funds in amounts similar to participant elections as a hedge against significant movement in the payout liability. The Company's expense related to these plans, including a match of elective deferrals for the agents' deferred compensation plan, and the change in value of participant elected deferrals was \$56.4 million and \$25.5 million in 2013 and 2012, respectively. This expense is offset by realized and unrealized gains on the general account mutual funds, credited directly to surplus, of \$40.7 million and \$18.9 million in 2013 and 2012, respectively. The liability for the deferred compensation plan is hedged by mutual funds and general account investments. Those liabilities not hedged by mutual funds are supported by general account earnings from investments.

Through the date of acquisition, REALIC participated in Swiss Re Group U.S. Employees' Pension Plan, a qualified non-contributory defined benefit pension plan sponsored by a third party. REALIC had no legal obligation for benefits under this plan. SRAH allocated amounts to REALIC based on salary ratios as compared to all companies participating in the plan. Such allocations included a lump-sum payment made by REALIC to SRAH in August 2012 of \$7.0 million to satisfy all future benefit obligations to SRAH under the plan. Expenses recognized by REALIC were \$7.0 million in 2012.

Effective December 31, 2009, the REALIC Pension Plan was frozen with no future benefits accruing to participants. Active plan participants, who remained employed by the Company after 2009, received a transition benefit equal to 6% of their base salary earned during each of the years beginning January 1, 2010 through December 31, 2014. The transition benefit is credited to the employees savings plan account and was \$329 thousand in 2012.

Through the date of acquisition, REALIC provided certain post-retirement benefits to retired employees through a plan sponsored by SRAH. REALIC had no legal obligation for benefits under this plan. The Company received allocations from SRAH of life insurance benefits, based on percentages of final salary, that gradually reduce after retirement, with both maximum dollar and minimum percentage limits. Such allocations included a lump-sum payment made by REALIC to SRAH in August 2012 of \$4.6 million representing an estimate of all future benefit costs allocable to REALIC. In 2012, the Company recognized postretirement benefit expenses of \$5.2 million.

Through the date of acquisition, REALIC participated in the Swiss Re Group U.S. Employees' Savings Plan (the Savings Plan), a defined contribution plan in which eligible employees of the Company elected to participate. The Savings Plan provided for contributions by employees and matching contributions by REALIC, subject to certain limitations. Matching contributions made in 2012 were \$414 thousand. The vesting provision for the defined contribution plan was three years of service.

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For REALIC employees hired on or after July 1, 2005 (and, for all employees beginning January 1, 2010), a contribution equal to 6% of the employee's base pay was made to the REALIC Savings Plan. The contribution for 2012 was \$288 thousand.

With the acquisition of SRLC, Jackson acquired liabilities related to certain benefit plans which included the Southwestern Life Holdings, Inc. Retiree Benefit Plan, the American Merchants Life Insurance Co. Retiree Benefit Plan, the PennCorp Financial Group, Inc. Retirement and Savings Plan, and the GMAC/Integon obligation. The net liability for these acquired benefit plans was \$6.1 million and \$8.7 million at December 31, 2013 and 2012, respectively.

**Note 15 – Other Related Party Transactions**

In connection with the acquisition described in note 3, REALIC entered into three retrocession agreements with Swiss Re, pursuant to which REALIC ceded to Swiss Re and Swiss Re 100% reinsured certain blocks of business written or reinsured by REALIC that were not part of the acquisition. The retrocession agreements became effective July 1, 2012.

On March 21, 2000, REALIC entered into a put and call agreement (the "Agreement") with Aurora, S.A. and SAFG Retirement Services, Inc. (formerly known as SunAmerica Inc.) (collectively, the "Sellers") under which the capital stock of the parent company of Aurora could be put to, or called by, REALIC in order to effect REALIC's acquisition of Aurora following the satisfaction of certain specified conditions precedent.

On March 23, 2012, REALIC entered into Amendment Number Two to the Agreement with the Sellers relating to the acquisition of Aurora and the Novation Agreement discussed below. Amendment Number Two reflects agreement among REALIC, the Sellers and certain other parties with respect to the calculation of the purchase price of New California Life Holdings, Inc. (NewCal"), Aurora's parent company.

On June 5, 2012, REALIC entered into an Assignment and Assumption Agreement with Swiss Re Life & Health America ("SRLHA"), pursuant to which it assigned to SRLHA all of its rights and obligations under the Agreement with the Sellers relating to the acquisition of Aurora, as described above. On June 8, 2012, REALIC paid SRLHA \$123.0 million for the assignment based on an estimated purchase price of NewCal of \$543.0 million as compared to the estimated fair value of NewCal of \$401.0 million. On September 4, 2012, REALIC paid SRLHA additional consideration of \$24.6 million for the assignment. All consideration for the assignment is reflected as a realized capital loss.

On June 25, 2012, REALIC entered into a Release, Consent and Novation Agreement ("Novation Agreement") with SRLHA, Aurora, NewCal, Artemis S.A. and the Sellers pursuant to which the Company assigned and novated to SRLHA all of its right, title and interest in the Agreement and in REALIC's 95% modified coinsurance agreement with Aurora and related trust and LOC agreements (together the "Aurora Transaction Agreements"). Pursuant to the Novation Agreement, SRLHA assumed any and all liabilities and obligations under the Aurora Transaction Agreements, whether past, present or future, express, contingent or otherwise. Under the terms of the novation, the Company paid \$193.0 million to SRLHA. Just prior to the novation, REALIC paid to Aurora approximately \$59.0 million with respect to defeasance obligations.

The Company's investment portfolio is managed by PPM America, Inc. ("PPMA"), a registered investment advisor, and PPM Finance, Inc. (collectively "PPM"). PPM is ultimately a wholly owned subsidiary of Prudential. The Company paid \$43.4 million and \$37.1 million to PPM for investment advisory services in 2013 and 2012.

Jackson has entered into shared services and administrative agreements with certain affiliates. Under the agreements, Jackson allocated \$43.3 million and \$42.5 million of certain management and administrative services expenses to affiliates in 2013 and 2012, respectively.

The Company contracts with PGDS to provide certain information technology services. The cost of the services, totaling \$105.9 million and \$89.6 million in 2013 and 2012, respectively, is based on the cost to PGDS.



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Through the date of acquisition, Swiss Re Financial Services Corporation (“SRFSC”) provided investment management and investment accounting services to REALIC. Total fees for the year ended December 31, 2012 were \$10.7 million.

Through the date of acquisition, REALIC was a party to a Securities Lending agreement with SRFSC. Total fees for the year ended December 31, 2012 were \$12,260.

Through the date of acquisition, REALIC and Swiss Re America Holding Corporation (“SRAH”) were parties to a Service Agreement. Total costs for the year ended December 31, 2012 were approximately \$11.2 million.

Jackson provides a \$40.0 million revolving credit facility to Nicole Finance, Inc., an upstream holding company. During 2012, the maximum allowable borrowing was increased from \$25.0 million. The loan, executed in 2011, is unsecured, matures in December 2016, accrues interest at 1.27% per annum and has a commitment fee of 0.10% per annum. The balance outstanding at December 31, 2013 and 2012 was \$9.5 million and \$26.0 million, respectively. The highest outstanding loan balance during both 2013 and 2012 was \$26.0 million. Interest and commitment fees totaled \$236 thousand and \$241 thousand during 2013 and 2012, respectively.

Jackson provides a \$40.0 million revolving credit facility to PPM. The loan is unsecured, matures in 2018, accrues interest at LIBOR plus 2% per annum, and has a commitment fee of 0.25% per annum. There was no balance outstanding at December 31, 2013 or 2012. The highest outstanding loan balance during 2012 was \$1.0 million. There was no outstanding balance during 2013. Interest and commitment fees totaled \$102 thousand and \$105 thousand during 2013 and 2012, respectively.

Jackson provides a \$50.0 million revolving credit facility to PGDS. The loan is unsecured, matures in 2016, accrues interest at LIBOR plus 2% per annum, and has a commitment fee of 0.10% per annum. The balance outstanding at December 31, 2013 and 2012 was \$46.2 million and \$40.0 million, respectively. The highest outstanding loan balance during 2013 and 2012 was \$46.8 million and \$40.2 million, respectively. Interest and commitment fees totaled \$891 thousand and \$876 thousand during 2013 and 2012, respectively.

Jackson provides a \$50.0 million revolving credit facility to Curian Clearing, LLC. The loan is unsecured, matures in 2015, accrues interest at LIBOR plus 2% per annum, and has a commitment fee of 0.10% per annum. There was no balance outstanding at December 31, 2013 or 2012. The highest outstanding loan balance during 2013 and 2012 was \$30.0 million and \$50.0 million, respectively. Interest and commitment fees totaled \$62 thousand and \$55 thousand during 2013 and 2012, respectively.

The Company provides a \$6.0 million revolving credit facility to National Planning Holdings, Inc. The loan is unsecured, matures in 2015, accrues interest at LIBOR plus 2% per annum, and has a commitment fee of 0.10% per annum. There was no balance outstanding during 2013 or 2012. Interest and commitment fees totaled \$6 thousand during both 2013 and 2012.

Jackson provides a \$20.0 million revolving credit facility to Brooke Holdings LLC. The loan is unsecured, matures in 2014, accrues interest at LIBOR plus 2% per annum and has a commitment fee of 0.25% per annum. There was no balance outstanding at December 31, 2013 or 2012. The highest outstanding loan balance during 2013 was \$4.4 million. There was no outstanding balance loan balance during 2012. Interest and commitment fees totaled \$51 thousand and \$50 thousand during 2013 and 2012, respectively.

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**Note 16 – Commitments and Contingent Liabilities**

The Company and its subsidiaries are involved in litigation arising in the ordinary course of business. It is the opinion of management that the ultimate disposition of such litigation will not have a material adverse affect on the Company's financial condition. Jackson has been named in civil litigation proceedings, which appear to be substantially similar to other class action litigation brought against many life insurers including a modal premium case and allegations of misconduct in the sale of insurance products. The Company accrues for legal contingencies once the contingency is deemed to be probable and reasonably estimable. At December 31, 2013 and 2012, Jackson recorded accruals totaling \$18.4 million and \$32.9 million, respectively.

The Company has provided an unlimited guarantee for the policyholder obligations of its wholly owned life insurance subsidiary, Jackson New York. The maximum potential amount of future payments cannot be estimated as Jackson New York continues to write new business. This guarantee is not expected to result in future required payments by the Company and is not considered to result in a material contingent exposure of the Company's assets to liability because the Company and Jackson New York share the same management and Jackson New York is subject to regulatory supervision of the state of New York. Accordingly, the Company has not accrued any liability for this guarantee (exception allowed under SSAP No. 5R, paragraph 17f).

The Company has agreed to support and provide Curian Clearing LLC ("Curian") and Jackson National Life Distributors LLC ("JNLD"), wholly owned subsidiaries, the necessary liquidity to fund the operations of these companies and to meet their obligations as they become due. The support agreements, provided in connection with the separate audits of Curian and JNLD, expire January 1, 2015. The maximum potential amount of future payments cannot be estimated as Curian and JNLD continue to operate. The guarantees are not expected to result in future required payments by the Company and are not considered to result in a material contingent exposure of the Company's assets to liability because Curian and JNLD share executive management with the Company. Accordingly, the Company has not accrued any liability for these guarantees (exception allowed under SSAP No. 5R, paragraph 17f).

At December 31, 2013, the Company had unfunded commitments related to its investments in limited partnerships and limited liability companies totaling \$508.5 million, including \$63.1 million to limited partnerships and limited liability companies on which the Company has recognized an impairment charge. Unfunded fixed-rate commercial mortgage loan commitments and available lines of credit totaled \$368.5 million at December 31, 2013.

At December 31, 2013, the Company had pledged mortgage related securities with a fair value of \$2.7 billion in connection with funding agreements issued to and short-term borrowings from the FHLBI. Securities for which all or a portion of Jackson's holdings have been pledged continue to be reported as invested assets.

In connection with the reinsurance treaty with Jackson New York described in Note 8, Jackson placed high quality securities with a carrying value and fair value at December 31, 2013 of \$91.7 million and \$100.7 million, respectively, in a trust for the benefit of Jackson New York. These securities had a carrying value and fair value at December 31, 2012 of \$82.0 million and \$99.3 million, respectively. The trust is required in order for Jackson New York to record a credit for the reserves ceded to Jackson. The securities are reported as invested assets.

In connection with other life business ceded to a non-affiliate, Jackson placed high quality securities in a trust for the benefit of the assuming company. These securities had a carrying value and fair value at December 31, 2013 of \$326.9 million and \$360.4 million, respectively. These securities had a carrying value and fair value at December 31, 2012 of \$342.0 million and \$405.9 million, respectively. The securities are reported as invested assets.



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The Company leases office space and equipment under several operating leases that expire at various dates through 2051. Certain leases include escalating lease rates and, as a result, at December 31, 2013, Jackson recorded a liability of \$9.7 million for future lease payments. Lease expense was \$30.7 million and \$28.1 million in 2013 and 2012, respectively.

The Company subleases office space under several operating leases that expire at various dates through 2015. Total future lease income to be received on the subleased property is \$50 thousand. Lease income for the subleased property totaled \$25 thousand and \$24 thousand in 2013 and 2012, respectively.

Subject to certain conditions being met, REALIC entered into a Lease Termination Agreement as of January 1, 2012, with respect to a long-term lease for office space. On April 30, 2012, all conditions being met, REALIC paid a termination cost of \$3.5 million in full settlement of all amounts owed under the lease.

At December 31, 2013, future minimum payments under noncancellable operating leases were as follows (in thousands):

2014	\$ 19,028
2015	17,717
2016	14,924
2017	8,606
2018	7,307
Thereafter	<u>20,602</u>
Total	<u>\$ 88,184</u>

The Company has received regulatory inquiries on an industry-wide matter relating to claims settlement practices and compliance with unclaimed property laws. Concurrently, some regulators and state legislatures have required life insurance companies to take additional steps to identify unreported deceased policy and contract holders. Additionally, certain states are contracting with independent firms to perform specific unclaimed property audits or targeted market conduct examinations covering claims settlement practices and procedures for escheating unclaimed property. Any regulatory audits, related examination activity and internal reviews may result in additional payments to beneficiaries, escheatment of funds deemed abandoned under state laws, administrative penalties and changes in the Company's procedures for the identification of unreported claims and handling of escheatable property.

The Company continually reviews its entire policy master file compared to vendors' databases of known deaths. At December 31, 2013 and 2012, the Company accrued \$21.1 million and \$28.0 million, respectively, for estimated remaining claims that have not yet been positively identified and any potential regulatory assessments.

The Company has two separate service agreements with third party administrators to provide policyholder administrative services. These agreements, subject to certain termination provisions, have ten-year terms and expire in 2019 and 2020.

**Note 17 – Share-Based Payments**

The Company's employees participate in various share-based payment plans sponsored by Prudential, which are further described below. These plans relate to either Prudential shares and/or American Depositary Receipts ("ADR's") that are tradable on the New York Stock Exchange. Under these plans, with the exception of the performance-related share award plan described below, the Company is not directly liable for obligations under the plans, but does incur related compensation costs.

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The Group Performance Share Plan is a Prudential incentive plan in which all executive directors of Prudential and other senior executives can participate. Awards are granted in the form of a nil cost option with a vesting period of three years. The performance measure for the awards is that Prudential's Total Shareholder Return ("TSR") outperforms an index comprised of peer companies over a three-year period. Vesting of the awards between each performance period is on a straight line sliding scale basis ranging from 0% (less than the peer index TSR return) to 100% (more than 120% of the peer index TSR return). Participants are entitled to the value of reinvested dividends that would have accrued on the shares that vest. The Company's expense related to this plan was \$4.9 million and \$8.0 million in 2013 and 2012, respectively.

The Business Unit Performance Plan is a Prudential incentive plan created to provide a common framework under which awards would be made to Chief Executive Officers ("CEO") of Prudential's business units. Awards under this nil cost plan for Jackson's CEO are based on compound annual growth in Jackson Shareholder Capital Value on a European Embedded Value ("EEV") basis with performance measured over three years. Awards granted in 2009 and later are settled in American Depositary Receipts ("ADR's") after vesting. Participants are entitled to receive the value of reinvested dividends over the performance period for those shares/ADR's that vest. The compound annual growth parameters for the awards are based on factors relevant to the U.S. business and vesting between each performance point is on a straight line sliding scale basis ranging from 0% (less than 8% growth) to 100% (more than 12% growth). The Company's expense related to this plan was \$5.0 million and \$7.2 million in 2013 and 2012, respectively.

In 2011, one-off type retention awards were granted to certain key senior executives within Jackson. These awards were subject to the prior approval of the Jackson Remuneration Committee and are nil cost options with a contingent right to receive Prudential ADR's. The awards are contingent upon continued employment of the recipient through the award vesting date. There are no performance measurements with these awards. The Company's expense related to this plan was \$3.2 million and \$2.0 million in 2013 and 2012, respectively.

The Company recognizes share-based compensation expense associated with the above plans based on the grant-date award fair value as determined using either the Black-Scholes model or the Monte Carlo model ratably over the requisite service period of each individual grant, which generally equals the vesting period.

The Company also has a performance-related share award plan which, subject to the prior approval of the Jackson Remuneration Committee, may grant share awards to eligible employees in the form of a contingent right to receive Prudential ADR's, or a conditional allocation of Prudential ADR's. Under this plan, the Company has a direct obligation and, therefore, is required to apply the provisions of SSAP No. 104R *Share-Based Payments* ("SSAP 104R"). These share awards are based on the compound annual EEV imputed growth in shareholder value of the U.S. business, have vesting periods of four years and are at nil cost to the employee. Share awards vest between 0% (less than 8% growth) and 150% (more than 17.5% growth) of the grant amounts dependent on the compound annual growth rate attained over the performance period. Award holders do not have any right to dividends or voting rights attached to the ADR's granted during the performance period, but may select a cash settlement option upon vesting. The Company's expense related to this plan was \$16.8 million and \$15.8 million in 2013 and 2012, respectively. In 2013, this plan was replaced by the Prudential Long-Term Incentive Plan ("PLTIP") as further described below.

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Under this performance-related share award plan, the Company's outstanding non-vested Prudential ADR's granted were as follows:

	Performance Award Plan	
	ADR's	Weighted Average Grant Date Fair Value
At December 31, 2011	985,359	\$ 16.51
Granted	162,121	24.24
Exercised	220,710	22.73
Lapsed/Forfeited	77,753	18.49
At December 31, 2012	849,017	16.19
Granted	-	-
Exercised	346,957	10.31
Lapsed/Forfeited	25,036	21.19
At December 31, 2013	477,024	\$ 20.21

The PLTIP is a Prudential incentive plan, implemented in 2013, in which the Company may grant share awards to eligible employees in the form of a contingent right to receive Prudential ADR's, or a conditional allocation of Prudential ADR's, subject to the prior approval of the Jackson Remuneration Committee. These share awards vest based on the achievement of planned International Financial Reporting Standards ("IFRS") pretax operating income for the U.S. business, have vesting periods of three years and are at nil cost to the employee. Share awards vest between 0% (less than 90% of plan) and 100% (more than 110% of plan) of the grant amounts dependent on IFRS pretax operating income attained over the performance period. Award holders do not have any right to dividends or voting rights attached to the ADR's granted during the performance period. Upon vesting, a number of ADRs equivalent to the value of dividends that otherwise would have been received over the performance period are added to vested awards. Participants have the option to select a cash settlement alternative under the plan. The Company's expense related to this plan was \$10.0 million 2013.

The Company recognizes compensation expense related to the performance-related share award plan and the PLTIP based on the change in fair value of the award at the end of each reporting period. At December 31, 2013 and 2012, the Company had a liability of \$49.7 million and \$36.8 million, respectively, for future payments under all of the above plans.

The Company either acquires shares/ADR's or reimburses Prudential for the costs of any shares/ADR's that were distributed to participants in the above plans, or may be distributed in the future. The shares/ADR's acquired for all the share-award plans are held at cost in a trust account for future distributions. At December 31, 2013 and 2012, the Company had \$22.8 million and \$25.1 million of shares/ADR's held at cost in the trust, respectively.

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**Note 18 – Loan Backed Securities’ Other-Than-Temporary Impairments**

The following table details loan-backed securities with a recognized other-than-temporary impairment recorded in 2013 where the Company has the intent and ability to hold the securities for sufficient time to recover the amortized cost:

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than- temporary impairment	Amortized cost after other-than- temporary impairment	Fair Value	Financial Statement Reporting Period
03927RAB0	9,273,203	8,914,823	358,380	8,914,823	2,138,665	Q1-2013
04542BMW9	122,514	104,782	17,732	104,782	58,118	Q1-2013
05948KE88	16,344,294	16,166,760	177,535	16,166,760	15,207,284	Q1-2013
07387BBF9	190,634	48,313	142,321	48,313	81,488	Q1-2013
07387BBG7	387,389	88,915	298,474	88,915	137,891	Q1-2013
07387BCS0	96,853	31,905	64,949	31,905	61,611	Q1-2013
12497SAA1	591,249	499,216	92,032	499,216	317,370	Q1-2013
12666RAD2	3,977,535	3,962,515	15,019	3,962,515	2,346,296	Q1-2013
12666RAE0	2,978,663	2,969,129	9,534	2,969,129	1,710,544	Q1-2013
126670TF5	7,359,769	7,338,242	21,527	7,338,242	6,520,000	Q1-2013
126673P71	310,888	300,075	10,812	300,075	182,998	Q1-2013
12669ATR5	573,646	544,231	29,414	544,231	430,168	Q1-2013
172973L98	1,283,508	1,270,531	12,977	1,270,531	941,801	Q1-2013
17311YAE3	7,359,370	7,287,441	71,929	7,287,441	6,225,671	Q1-2013
32051GAV7	1,128,134	1,065,494	62,640	1,065,494	1,068,001	Q1-2013
52523KAH7	10,640,605	10,609,188	31,417	10,609,188	8,515,483	Q1-2013
63543PCF1	74,214	64,404	9,810	64,404	778	Q1-2013
63543XAF6	300,036	-	300,036	-	800	Q1-2013
75970NBL0	652,691	560,152	92,540	560,152	169,675	Q1-2013
76110GXF3	2,397,083	2,348,821	48,262	2,348,821	2,382,345	Q1-2013
78443CAH7	3,054,295	2,746,372	307,923	2,746,372	2,870,482	Q1-2013
78443CBD5	5,485,962	5,422,436	63,526	5,422,436	4,094,137	Q1-2013
78476YAA4	8,764,705	8,595,924	168,780	8,595,924	5,675,065	Q1-2013
78477AAA5	5,002,785	4,882,217	120,568	4,882,217	3,704,469	Q1-2013
86359DFR3	4,580,949	4,568,328	12,621	4,568,328	3,709,526	Q1-2013
9393363F6	4,541,063	4,462,328	78,735	4,462,328	4,349,435	Q1-2013
03927RAB0	8,892,463	6,716,861	2,175,603	6,716,861	2,138,665	Q2-2013
04542BMW9	84,819	59,516	25,302	59,516	35,711	Q2-2013
05949AKK5	2,922,164	2,718,731	203,433	2,718,731	2,846,293	Q2-2013
12666PAD6	6,151,339	6,031,609	119,730	6,031,609	3,429,076	Q2-2013
12666RAD2	3,933,128	3,856,986	76,143	3,856,986	2,366,857	Q2-2013
12666RAE0	2,944,531	2,847,731	96,800	2,847,731	1,713,096	Q2-2013
12666UAD5	11,476,922	11,408,310	68,612	11,408,310	9,152,250	Q2-2013
126670TF5	7,328,743	7,312,003	16,740	7,312,003	6,751,600	Q2-2013
126670TG3	1,610,776	1,602,041	8,735	1,602,041	1,424,700	Q2-2013
126673P71	254,164	210,763	43,401	210,763	98,287	Q2-2013
172973L98	1,148,732	1,034,450	114,283	1,034,450	871,613	Q2-2013
17309BAC1	7,630,797	7,597,590	33,207	7,597,590	6,600,863	Q2-2013
17311YAE3	7,185,851	7,162,612	23,239	7,162,612	6,228,719	Q2-2013
23242WAE9	4,879,914	4,651,084	228,830	4,651,084	4,552,129	Q2-2013
31359UVM4	457,063	456,147	916	456,147	133,104	Q2-2013
32051GAV7	981,410	966,772	14,639	966,772	978,543	Q2-2013
32051GE92	3,420,453	3,376,031	44,422	3,376,031	3,410,020	Q2-2013
32051GYJ8	13,189,594	13,151,432	38,162	13,151,432	12,903,864	Q2-2013

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1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than- temporary impairment	Amortized cost after other-than temporary impairment	Fair Value	Financial Statement Reporting Period
36157R3Z6	67,239	45,574	21,666	45,574	60,270	Q2-2013
378961AF3	2,217,374	2,174,746	42,628	2,174,746	2,128,213	Q2-2013
378961AJ5	524,912	395,308	129,604	395,308	519,639	Q2-2013
38373MKW9	105,649	46,033	59,615	46,033	16,587	Q2-2013
46628SAG8	8,160,814	8,089,768	71,046	8,089,768	7,542,165	Q2-2013
57643MJV7	4,329,912	4,082,434	247,479	4,082,434	2,908,416	Q2-2013
63543PCF1	51,941	29,085	22,857	29,085	27,138	Q2-2013
75970NBL0	560,152	416,055	144,097	416,055	103,992	Q2-2013
76110WLC8	1,072,034	1,064,753	7,281	1,064,753	1,017,848	Q2-2013
761118GV4	21,003,905	20,588,134	415,771	20,588,134	20,396,027	Q2-2013
78443CAH7	2,757,273	2,638,129	119,144	2,638,129	1,161,120	Q2-2013
78477AAA5	4,838,517	4,556,875	281,642	4,556,875	3,888,846	Q2-2013
79548KH84	715,988	676,417	39,570	676,417	665,055	Q2-2013
79548KH92	324,264	303,513	20,751	303,513	293,604	Q2-2013
85765@AA2	14,402	-	14,402	-	-	Q2-2013
86359DFR3	4,426,252	4,220,043	206,209	4,220,043	3,475,901	Q2-2013
9292273N4	3,809,594	3,801,517	8,077	3,801,517	3,568,248	Q2-2013
9393365E9	7,210,196	6,978,494	231,701	6,978,494	6,420,025	Q2-2013
93934NAW5	16,176,908	15,935,291	241,617	15,935,291	15,968,023	Q2-2013
03927RAB0	6,637,421	6,492,016	145,405	6,492,016	1,939,567	Q3-2013
04542BMW9	58,941	5,593	53,348	5,593	64	Q3-2013
05948KE88	14,447,258	14,306,478	140,780	14,306,478	13,282,791	Q3-2013
12666PAD6	6,014,386	5,838,094	176,291	5,838,094	3,245,840	Q3-2013
12666RAD2	3,842,661	3,817,003	25,658	3,817,003	2,292,650	Q3-2013
12666RAE0	2,833,598	2,829,324	4,274	2,829,324	1,649,793	Q3-2013
12666UAD5	11,369,178	11,269,470	99,708	11,269,470	8,856,195	Q3-2013
126670TF5	7,304,296	7,136,808	167,488	7,136,808	6,653,048	Q3-2013
126670TG3	1,597,682	1,563,369	34,313	1,563,369	1,401,354	Q3-2013
126673P71	163,761	90,242	73,519	90,242	51,534	Q3-2013
126673Z62	414,322	335,257	79,064	335,257	244,321	Q3-2013
17309BAC1	7,407,025	7,348,877	58,148	7,348,877	6,662,882	Q3-2013
17311YAE3	7,023,388	6,999,351	24,036	6,999,351	5,617,511	Q3-2013
23242WAE9	4,380,034	4,366,741	13,293	4,366,741	4,358,941	Q3-2013
31359UVM4	439,505	411,228	28,277	411,228	122,788	Q3-2013
32051D2A9	945,873	934,865	11,008	934,865	897,048	Q3-2013
32051GWU5	14,582,619	14,303,143	279,476	14,303,143	14,526,812	Q3-2013
38373MKW9	46,213	3,888	42,325	3,888	6,785	Q3-2013
38374GCH3	276,022	176,020	100,002	176,020	112,533	Q3-2013
46628SAG8	7,843,172	7,808,103	35,069	7,808,103	6,991,401	Q3-2013
46629QAE6	12,478,322	12,387,475	90,846	12,387,475	11,561,100	Q3-2013
52523KAH7	10,514,201	10,343,008	171,193	10,343,008	8,270,732	Q3-2013
75970NBL0	339,067	198,916	140,150	198,916	57,262	Q3-2013
761118GV4	19,887,840	19,870,882	16,957	19,870,882	19,715,075	Q3-2013
78443CAG9	7,172,020	7,050,793	121,226	7,050,793	5,844,005	Q3-2013
78443CBD5	5,007,564	4,943,609	63,956	4,943,609	3,845,501	Q3-2013
78476YAA4	8,451,108	7,937,251	513,858	7,937,251	5,432,658	Q3-2013
78477AAA5	4,635,849	4,106,614	529,235	4,106,614	3,312,916	Q3-2013
86359DFR3	3,932,327	3,841,989	90,339	3,841,989	3,216,374	Q3-2013
9393365E9	6,628,750	6,545,007	83,743	6,545,007	6,076,518	Q3-2013
93934NAW5	15,490,855	15,455,077	35,778	15,455,077	15,406,623	Q3-2013
02150JAC6	18,519,596	17,757,505	762,090	17,757,505	17,669,415	Q4-2013
03927RAB0	6,437,830	6,268,021	169,809	6,268,021	2,113,670	Q4-2013
126673P71	64,608	25,091	39,516	25,091	7,073	Q4-2013
126673Z62	283,152	238,998	44,154	238,998	149,035	Q4-2013

**Jackson National Life Insurance Company**  
**Notes to Statutory Financial Statements**  
**December 31, 2013 and 2012**

1	2	3	4	5	6	7
CUSIP	Book/Adj Carrying Value Amortized cost before current period OTTI	Projected Cash Flows	Recognized other-than- temporary impairment	Amortized cost after other-than temporary impairment	Fair Value	Financial Statement Reporting Period
32051D2A9	912,742	891,590	21,152	891,590	876,969	Q4-2013
36157R3Z6	36,639	8,991	27,648	8,991	20,452	Q4-2013
46628SAG8	7,538,516	7,465,997	72,519	7,465,997	6,945,420	Q4-2013
52523KAH7	10,325,161	10,313,139	12,022	10,313,139	9,666,160	Q4-2013
75970NBL0	145,656	115,905	29,752	115,905	47,757	Q4-2013
76110WLC8	920,998	914,913	6,085	914,913	918,383	Q4-2013
78443CAH7	2,661,682	2,488,677	173,005	2,488,677	2,184,218	Q4-2013
78443CBD5	4,745,219	4,733,402	11,816	4,733,402	3,773,834	Q4-2013
78476YAA4	7,882,064	7,667,128	214,937	7,667,128	5,725,172	Q4-2013
78477AAA5	4,047,099	4,008,658	38,441	4,008,658	3,478,273	Q4-2013
9292273N4	3,701,426	3,684,092	17,335	3,684,092	3,478,403	Q4-2013
93934NAW5	15,045,206	15,039,097	6,109	15,039,097	14,762,264	Q4-2013
<b>Total</b>			<b>13,371,998</b>			

**Additional Information**  
**Jackson National Life Insurance Company**  
**Supplemental Schedule of Selected Financial Data**  
**December 31, 2013**

**Investment income earned**

U.S. government bonds	\$ 169,781,610
Other bonds (unaffiliated)	2,144,037,473
Bonds exempt from U.S. tax	-
Bonds of affiliates	-
Preferred stocks (unaffiliated)	-
Preferred stocks of affiliates	-
Common stocks (unaffiliated)	14,182,603
Common stocks of affiliates	372,500,000
Mortgage loans	295,802,243
Real estate	9,717,201
Contract loans	391,066,045
Cash, cash equivalents and short-term investments	303,413
Derivative instruments	200,469,481
Other invested assets	165,695,128
Aggregate write-ins for investment income	26,679,331
Total investment income	<u>\$ 3,790,234,528</u>

Real estate owned - book value less encumbrances	<u>\$ 116,916,927</u>
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## Mortgage loans by type - book value

Farm mortgages	\$ -
Residential mortgages	-
Commercial mortgages	6,066,903,153
Total mortgage loans	<u>\$ 6,066,903,153</u>

## Mortgage loans by standing - book value

Good standing	\$ 5,987,510,543
Good standing with restructured loans	<u>\$ 79,392,610</u>
Interest overdue more than 90 days, not in foreclosure	<u>\$ -</u>
Foreclosure in process	<u>\$ -</u>

Other long term assets - statement value	<u>\$ 1,524,482,869</u>
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Contract loans	<u>\$ 4,360,854,585</u>
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## Bonds &amp; stocks of parents, subsidiaries and affiliates - book value

Bonds	\$ -
Preferred stocks	<u>\$ -</u>
Common stocks	<u>\$ 377,101,894</u>

Continued

**Additional Information**  
**Jackson National Life Insurance Company**  
**Supplemental Schedule of Selected Financial Data**  
**December 31, 2013**

Bonds and short-term investments by class and maturity:

Bonds by maturity - statement value	
Due within one year or less	\$ 2,600,034,513
Over 1 year through 5 years	12,696,874,863
Over 5 years through 10 years	22,696,852,240
Over 10 years through 20 years	2,848,970,886
Over 20 years	4,973,587,976
Total by maturity	<u>\$ 45,816,320,478</u>

Bonds by class - statement value	
Class 1	\$ 24,617,447,452
Class 2	19,393,378,668
Class 3	1,245,130,908
Class 4	465,136,284
Class 5	84,484,520
Class 6	10,742,646
Total by class	<u>\$ 45,816,320,478</u>

Total bonds publicly traded	<u>\$ 35,818,046,549</u>
Total bonds privately placed	<u>\$ 9,998,273,929</u>

Preferred stocks - statement value	<u>\$ 382,120</u>
Common stocks - market value	<u>\$ 841,328,492</u>
Short-term investments - book value	<u>\$ 409,513,012</u>
Options, caps and floors owned - statement value	<u>\$ 328,939,565</u>
Options, caps and floors written & in force - statement value	<u>\$ 1,142,740</u>
Collar, swap and forward agreements open - statement value	<u>\$ 27,569,981</u>
Futures contracts open - current value	<u>\$ -</u>
Cash on deposit	<u>\$ (94,653,428)</u>
Cash equivalents	<u>\$ 34,256,093</u>

Life insurance in force	
Industrial	<u>\$ 366,007</u>
Ordinary	<u>\$ 129,941,913</u>
Credit life	<u>\$ -</u>
Group life	<u>\$ 672,234</u>

Amount of accidental death benefits in force under ordinary policies	<u>\$ 4,475,517,000</u>
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Continued



**Additional Information**  
**Jackson National Life Insurance Company**  
**Supplemental Schedule of Selected Financial Data**  
**December 31, 2013**

Life insurance policies with disability provisions in force	
Industrial	\$ 195,000
Ordinary	\$ 15,215,062,000
Credit life	\$ -
Group life	\$ 339,092,000
Supplementary contracts in force:	
Ordinary - not involving life contingencies-	
Amount on deposit	\$ 600,568,784
Income payable	\$ 11,111,648
Ordinary - involving life contingencies-	
Amount on deposit	\$ 12,340,789
Income payable	\$ 4,693,319
Group - not involving life contingencies-	
Amount on deposit	\$ 56,837
Income payable	\$ -
Group - involving life contingencies-	
Income payable	\$ 323,764
Income payable	\$ 261,728
Annuities:	
Ordinary-	
Immediate - amount of income payable	\$ 244,453,027
Deferred - fully paid account balance	\$ 14,523,687,744
Deferred - not fully paid - account balance	\$ 17,496,558,199
Group-	
Amount of income payable	\$ 12,797,868
Fully paid account balance	\$ 1,589,160,501
Not fully paid - account balance	\$ 2,044,148,533
Accident and health insurance - premiums in force:	
Ordinary	\$ -
Group	\$ -
Credit	\$ -
Deposit funds and dividend accumulations:	
Deposit funds - account balance	\$ 37,269,029
Dividend accumulations - account balance	\$ 51,618,316

See accompanying independent auditor's report.

## JACKSON NATIONAL LIFE INSURANCE COMPANY

## Supplemental Investment Risks Interrogatories

December 31, 2013

1) Total admitted assets (excluding Separate Accounts): \$ 61,339,369,860

2) 10 largest exposures to a single issuer/borrower/investment (excluding US Government):

Issuer	Category	Amount	Percentage
Jackson National Life Insurance of New York	Affiliated domestic securities	\$ 370,927,089	0.6%
Banc One	Unaffiliated domestic securities	\$ 287,905,257	0.5%
Anheuser-Busch	Unaffiliated domestic securities	\$ 252,625,688	0.4%
KTR Capital Partners, L.P.	Commercial mortgage loans	\$ 248,435,682	0.4%
Duke Energy Progress	Unaffiliated domestic securities	\$ 239,417,498	0.4%
Baltimore Gas & Electric	Unaffiliated domestic securities	\$ 237,777,546	0.4%
Comcast Cable Communications	Unaffiliated domestic securities	\$ 231,121,591	0.4%
AT&T	Unaffiliated domestic securities	\$ 229,309,318	0.4%
BP Capital Markets	Unaffiliated domestic securities	\$ 225,949,927	0.4%
Bank of America	Unaffiliated domestic securities	\$ 220,062,568	0.4%

3) Amounts and percentages of total admitted assets held in bonds and preferred stocks by NAIC rating.

Bonds	Amount	Percentage	Preferred stock	Amount	Percentage
NAIC-1	\$ 24,617,447,452	40.1%	P/RP-1	\$ —	0.0%
NAIC-2	\$ 19,393,378,668	31.6%	P/RP-2	\$ —	0.0%
NAIC-3	\$ 1,245,130,908	2.0%	P/RP-3	\$ —	0.0%
NAIC-4	\$ 465,136,284	0.8%	P/RP-4	\$ —	0.0%
NAIC-5	\$ 84,484,520	0.1%	P/RP-5	\$ —	0.0%
NAIC-6	\$ 10,742,646	0.0%	P/RP-6	\$ 382,120	0.0%

4) Assets held in foreign investments:

	Amount	Percentage
Total admitted assets held in foreign investments	\$ 5,089,992,345	8.3%

5) Aggregate foreign investment exposure categorized by NAIC sovereign rating:

	Amount	Percentage
Countries rated NAIC-1	\$ 4,790,034,654	7.8%
Countries rated NAIC-2	\$ 242,205,050	0.4%
Countries rated NAIC-3 or below	\$ 57,752,641	0.1%

6) Two largest foreign investment exposures in a single country, categorized by the country's NAIC sovereign rating:

	Amount	Percentage
Countries rated NAIC-1:		
Great Britain	\$ 1,810,018,566	3.0%
Australia	\$ 693,325,340	1.1%
Countries rated NAIC-2:		
Ireland	\$ 114,617,038	0.2%
Spain	\$ 94,748,544	0.2%
Countries rated NAIC-3 or below:		
Liberia	\$ 26,917,418	0.0%
Netherlands Antilles	\$ 12,978,972	0.0%

7) There is no unhedged foreign currency exposure.

8) There is no unhedged foreign currency exposure.

9) There is no unhedged foreign currency exposure.

10) Ten largest non-sovereign (i.e., non-governmental) foreign issues:

Issuer	NAIC Rating	Amount	Percentage
BP Capital Markets	1	\$ 225,949,927	0.4%
Diageo Capital	1	\$ 150,890,631	0.2%
Rio Tinto Finance USA	1	\$ 134,323,909	0.2%
British Sky Broadcasting	2	\$ 106,232,921	0.2%
Weatherford International Bermuda	2	\$ 106,009,644	0.2%
Vodafone Group	1	\$ 99,161,068	0.2%
Deutsche Telekom International Fin	2	\$ 88,681,531	0.1%
Britist Telecom	2	\$ 88,409,787	0.1%
Anglo American Capital	2	\$ 83,486,648	0.1%
BHP Billiton Finance	1	\$ 82,905,565	0.1%

## JACKSON NATIONAL LIFE INSURANCE COMPANY

## Supplemental Investment Risks Interrogatories

December 31, 2013

11)	Assets held in Canadian investments:	Amount	Percentage
	Total admitted assets held in Canadian investments	\$ 1,808,819,503	2.9%
	Unhedged Canadian currency exposure	\$ —	0.0%

12) There were no assets held in investments with contractual sales restrictions that exceeded 2.5% of the Company's total admitted assets.

13) Amounts and percentages of admitted assets held in the ten largest equity interests:

Issuer	Amount	Percentage
Jackson National Life Insurance Co of New York	\$ 370,927,089	0.6%
PPM America Private Equity Fund III, L.P.	\$ 204,047,874	0.3%
LAF Holdings, LLC	\$ 125,463,852	0.2%
FHLBI Class B-1	\$ 115,003,000	0.2%
PPM America Private Equity Fund II, L.P.	\$ 81,526,565	0.1%
PPM America Private Equity Fund IV, L.P.	\$ 69,535,643	0.1%
PPM America Private Equity Fund, L.P.	\$ 63,077,773	0.1%
Curian Clearing, LLC	\$ 58,695,568	0.1%
JNAM JNL/PPMA Low Duration	\$ 54,367,392	0.1%
JNAM, LLC	\$ 34,069,522	0.1%

14) There were no assets held in nonaffiliated, privately placed equities, exceeding 2.5% of the Company's total admitted assets.

15) There were no assets held in general partnership interests that exceeded 2.5% of the Company's total admitted assets.

16) Amounts and percentages of total admitted assets held in the ten largest mortgage loans:

Type	Amount	Percentage
Commercial	\$ 149,822,237	0.2%
Commercial	\$ 139,150,526	0.2%
Commercial	\$ 105,000,000	0.2%
Commercial	\$ 98,613,445	0.2%
Commercial	\$ 83,307,522	0.1%
Commercial	\$ 82,987,142	0.1%
Commercial	\$ 79,713,032	0.1%
Commercial	\$ 73,438,128	0.1%
Commercial	\$ 66,387,182	0.1%
Commercial	\$ 66,116,145	0.1%

Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans:

16.12 Construction loans	\$ —	0.0%
16.13 Mortgage loans over 90 days past due	\$ —	0.0%
16.14 Mortgage loans in the process of foreclosure	\$ —	0.0%
16.15 Mortgage loans foreclosed	\$ —	0.0%
16.16 Restructured mortgage loans	\$ 79,744,611	0.1%

17) Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date:

Loan to Value	Commercial	
	Amount	Percentage
above 95%	\$ —	0.0%
91 to 95%	\$ —	0.0%
81 to 90%	\$ 2,486,483	0.0%
71 to 80%	\$ 424,366,325	0.7%
below 70%	\$ 5,640,050,344	9.2%

18) There were no assets held in real estate that exceeded 2.5% of the Company's total admitted assets.

## JACKSON NATIONAL LIFE INSURANCE COMPANY

## Supplemental Investment Risks Interrogatories

December 31, 2013

19) There were no assets held in mezzanine real estate loans that exceeded 2.5% of the Company's total admitted assets.

20) Amounts and percentages of total admitted assets subject to the following types of agreements:

Agreement type	At year end		At end of each quarter		
	Amount	Percentage	1st Qtr	2nd Qtr	3rd Qtr
Securities lending	\$ 87,144,646	0.1%	\$ 112,119,350	\$ 81,680,153	\$ 86,377,179
Repurchase	415,283,642	0.7%	60,775,000	300,695,594	—
Reverse repurchase	—	—	—	—	—
Dollar repurchase	—	—	—	—	—
Dollar reverse repurchase	—	—	—	—	—

21) Amounts and percentages of total admitted assets for warrants not attached to other financial instruments, options, caps and floors:

Type	Owned		Written	
	Amount	Percentage	Amount	Percentage
Hedging	\$ 328,939,565	0.5%	\$ 1,142,740	0.0%

22) Amounts and percentages of total admitted assets of potential exposure for collars, swaps and forwards:

Type	At year end		At end of each quarter		
	Amount	Percentage	1st Qtr	2nd Qtr	3rd Qtr
Hedging	\$ 309,811,468	0.5%	\$ 339,349,123	\$ 329,660,544	\$ 318,754,527

23) Amounts and percentages of total admitted assets of potential exposure for futures contracts:

Type	At year end		At end of each quarter		
	Amount	Percentage	1st Qtr	2nd Qtr	3rd Qtr
Hedging	\$ 270,600,000	0.4%	\$ 306,250,000	\$ 285,250,000	\$ 245,000,000

See accompanying independent auditors' report.

**JACKSON NATIONAL LIFE  
INSURANCE COMPANY**

Summary Investment Schedule

December 31, 2013

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	Amount	Percentage	Amount	Securities Lending Reinvested Collateral Amount	Total Amount	Percentage
Bonds:						
U.S. Treasury securities	\$ 4,300,455,186	7.275%	\$ 4,300,455,186	\$ —	\$ 4,300,455,186	7.275%
U.S. government agency obligations	862,742,363	1.459%	862,742,363	—	862,742,363	1.459%
Foreign government	29,204,787	0.049%	29,204,787	—	29,204,787	0.049%
States, territories and possessions general obligations	—	—%	—	—	—	—%
Revenue and assessment obligations	12,513,782	0.021%	12,513,782	—	12,513,782	0.021%
Mortgage-backed securities:						
Pass-through securities:						
GNMA	131,846,784	0.223%	131,846,784	—	131,846,784	0.223%
FNMA and FHLMC	864,714,299	1.463%	864,714,299	—	864,714,299	1.463%
CMO's and REMIC's:						
GNMA, FNMA, FHLMC or VA	472,326,863	0.799%	472,326,863	—	472,326,863	0.799%
Non-U.S. Government	—	—%	—	—	—	—%
All other	5,534,616,224	9.362%	5,534,616,224	—	5,534,616,224	9.362%
Other debt and other fixed income securities:						
Unaffiliated domestic securities	26,453,010,836	44.748%	26,453,010,836	—	26,453,010,836	44.748%
Unaffiliated foreign securities	6,745,376,339	11.410%	6,745,376,339	—	6,745,376,339	11.410%
Affiliated securities	—	—%	—	—	—	—%
Equity interests:						
Investments in mutual funds	317,864,217	0.538%	317,864,217	—	317,864,217	0.538%
Preferred stocks:						
Affiliated	—	—%	—	—	—	—%
Unaffiliated	382,120	0.001%	382,120	—	382,120	0.001%
Publicly traded equity securities:						
Unaffiliated	31,114,292	0.053%	31,114,292	—	31,114,292	0.053%
Other equity securities:						
Affiliated	372,672,829	0.630%	372,672,829	—	372,672,829	0.630%
Unaffiliated	115,252,150	0.195%	115,252,150	—	115,252,150	0.195%
Mortgage loans:						
Multifamily residential properties	1,891,153,478	3.199%	1,891,153,478	—	1,891,153,478	3.199%
Commercial loans	4,175,749,675	7.064%	4,175,749,675	—	4,175,749,675	7.064%
Real estate investments:						
Property occupied by the Company	109,174,211	0.185%	109,174,211	—	109,174,211	0.185%
Property held for the production of income (including \$0 of property acquired in satisfaction of debt)	7,044,413	0.012%	7,044,413	—	7,044,413	0.012%
Property held for sale (including \$0 property acquired in satisfaction of debt)	698,303	0.001%	698,303	—	698,303	0.001%
Contract loans	4,360,854,585	7.377%	4,360,854,585	—	4,360,854,585	7.377%
Derivatives	356,607,009	0.603%	356,607,009	—	356,607,009	0.603%
Receivables for securities	7,972,837	0.013%	7,972,837	—	7,972,837	0.013%
Securities Lending	86,998,059	0.147%	86,998,059	XXX	XXX	XXX
Cash, cash equivalents and short-term investments	349,124,309	0.591%	349,124,309	86,998,059	436,122,368	0.738%
Other invested assets	1,526,405,291	2.582%	1,526,405,291	—	1,526,405,291	2.582%
Total invested assets	\$ 59,115,875,241	100.000%	\$ 59,115,875,241	\$ 86,998,059	\$ 59,115,875,241	100.000%

See accompanying independent auditors' report.

## STATEMENT AS OF JUNE 30, 2014 OF THE JACKSON NATIONAL LIFE INSURANCE COMPANY

**ASSETS**

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
1. Bonds .....	45,921,012,504	0	45,921,012,504	45,406,807,463
2. Stocks:				
2.1 Preferred stocks .....	382,120	0	382,120	382,120
2.2 Common stocks .....	880,410,003	6,144,943	874,265,060	836,903,488
3. Mortgage loans on real estate:				
3.1 First liens .....	5,951,752,443	0	5,951,752,443	6,066,903,153
3.2 Other than first liens .....	0	0	0	0
4. Real estate:				
4.1 Properties occupied by the company (less \$ .....0 encumbrances) .....	124,958,481	0	124,958,481	109,174,211
4.2 Properties held for the production of income (less \$ .....0 encumbrances) .....	7,137,416	0	7,137,416	7,044,413
4.3 Properties held for sale (less \$ .....0 encumbrances) .....	698,303	0	698,303	698,303
5. Cash (\$ .....(12,921,981) ), cash equivalents (\$ .....17,002,959 ) and short-term investments (\$ .....316,957,933 ) .....	321,038,911	0	321,038,911	349,124,309
6. Contract loans (including \$ .....0 premium notes) .....	4,291,463,297	767,966	4,290,695,331	4,360,854,585
7. Derivatives .....	467,570,288	0	467,570,288	356,607,009
8. Other invested assets .....	1,540,940,183	53,012,585	1,487,927,598	1,524,482,869
9. Receivables for securities .....	86,829,365	0	86,829,365	7,972,837
10. Securities lending reinvested collateral assets .....	241,407,063	0	241,407,063	86,998,059
11. Aggregate write-ins for invested assets .....	(338,057,787)	0	(338,057,787)	1,922,422
12. Subtotals, cash and invested assets (Lines 1 to 11) .....	59,497,542,590	59,925,494	59,437,617,096	59,115,875,241
13. Title plants less \$ .....0 charged off (for Title insurers only) .....	0	0	0	0
14. Investment income due and accrued .....	895,827,116	0	895,827,116	780,489,685
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection .....	67,327,809	0	67,327,809	30,295,596
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ .....0 earned but unbilled premiums) .....	100,363,902	0	100,363,902	102,582,291
15.3 Accrued retrospective premiums .....	0	0	0	0
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers .....	68,079,881	0	68,079,881	38,563,838
16.2 Funds held by or deposited with reinsured companies .....	0	0	0	0
16.3 Other amounts receivable under reinsurance contracts .....	4,073,322	0	4,073,322	7,578,321
17. Amounts receivable relating to uninsured plans .....	0	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon .....	55,895,618	0	55,895,618	128,737,463
18.2 Net deferred tax asset .....	573,253,324	139,686,733	433,566,591	649,466,928
19. Guaranty funds receivable or on deposit .....	14,714,503	0	14,714,503	14,515,785
20. Electronic data processing equipment and software .....	618	0	618	1,354
21. Furniture and equipment, including health care delivery assets (\$ .....0 ) .....	29,730,315	29,730,315	0	0
22. Net adjustment in assets and liabilities due to foreign exchange rates .....	0	0	0	0
23. Receivables from parent, subsidiaries and affiliates .....	13,462,194	0	13,462,194	18,001,183
24. Health care (\$ .....0 ) and other amounts receivable .....	0	0	0	0
25. Aggregate write-ins for other than invested assets .....	560,236,578	22,259,882	537,976,696	453,262,175
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25) .....	61,880,507,770	251,602,424	61,628,905,346	61,339,369,860
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts .....	114,940,571,241	0	114,940,571,241	102,494,340,123
28. Total (Lines 26 and 27) .....	176,821,079,011	251,602,424	176,569,476,587	163,833,709,983
<b>DETAILS OF WRITE-INS</b>				
1101. Interest rate swaps adjustment per permitted practice .....	(338,057,787)	0	(338,057,787)	1,922,422
1102. ....				
1103. ....				
1198. Summary of remaining write-ins for Line 11 from overflow page .....	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above) .....	(338,057,787)	0	(338,057,787)	1,922,422
2501. Agents' balances (net) .....	6,505,261	6,505,261	0	0
2502. Capitalized software and associated costs .....	12,410,657	12,410,657	0	0
2503. Cash value of company-owned life insurance .....	1,088,939	0	1,088,939	1,096,710
2598. Summary of remaining write-ins for Line 25 from overflow page .....	540,231,721	3,343,964	536,887,757	452,165,465
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above) .....	560,236,578	22,259,882	537,976,696	453,262,175

## STATEMENT AS OF JUNE 30, 2014 OF THE JACKSON NATIONAL LIFE INSURANCE COMPANY

**LIABILITIES, SURPLUS AND OTHER FUNDS**

	1 Current Statement Date	2 December 31 Prior Year
1. Aggregate reserve for life contracts \$ .....49,494,533,014 less \$ .....0 included in Line 6.3 (including \$ .....0 Modco Reserve)	49,494,533,014	49,822,582,608
2. Aggregate reserve for accident and health contracts (including \$ .....0 Modco Reserve)	0	0
3. Liability for deposit-type contracts (including \$ .....0 Modco Reserve)	6,113,655,652	5,425,076,417
4. Contract claims:		
4.1 Life	641,295,245	681,249,511
4.2 Accident and health	0	0
5. Policyholders' dividends \$ .....323,681 and coupons \$ .....0 due and unpaid	323,681	113,007
6. Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:		
6.1 Dividends apportioned for payment (including \$ .....0 Modco)	11,313,887	11,329,732
6.2 Dividends not yet apportioned (including \$ .....0 Modco)	200,505	203,887
6.3 Coupons and similar benefits (including \$ .....0 Modco)	70,487	70,610
7. Amount provisionally held for deferred dividend policies not included in Line 6	0	0
8. Premiums and annuity considerations for life and accident and health contracts received in advance less \$ .....0 discount; including \$ .....0 accident and health premiums	4,101,127	4,761,125
9. Contract liabilities not included elsewhere:		
9.1 Surrender values on canceled contracts	871,592	413,661
9.2 Provision for experience rating refunds, including the liability of \$ .....0 accident and health experience rating refunds of which \$ .....0 is for medical loss ratio rebate per the Public Health Service Act	0	0
9.3 Other amounts payable on reinsurance, including \$ .....28,362,163 assumed and \$ .....0 ceded	28,362,163	17,967,692
9.4 Interest Maintenance Reserve	451,478,304	403,172,978
10. Commissions to agents due or accrued-life and annuity contracts \$ .....81,392,825 , accident and health \$ .....0 and deposit-type contract funds \$ .....0	81,392,825	91,088,100
11. Commissions and expense allowances payable on reinsurance assumed	71,149	43,926
12. General expenses due or accrued	114,421,630	192,503,870
13. Transfers to Separate Accounts due or accrued (net) (including \$ .....(5,202,178,444) accrued for expense allowances recognized in reserves, net of reinsured allowances)	(5,115,487,941)	(4,863,316,567)
14. Taxes, licenses and fees due or accrued, excluding federal income taxes	31,111,531	30,039,212
15.1 Current federal and foreign income taxes, including \$ .....0 on realized capital gains (losses)	0	0
15.2 Net deferred tax liability	0	0
16. Unearned investment income	10,792,196	11,069,196
17. Amounts withheld or retained by company as agent or trustee	5,322,090	4,797,476
18. Amounts held for agents' account, including \$ .....6,956,623 agents' credit balances	6,956,623	6,621,256
19. Remittances and items not allocated	39,956,191	44,245,741
20. Net adjustment in assets and liabilities due to foreign exchange rates	0	0
21. Liability for benefits for employees and agents if not included above	0	0
22. Borrowed money \$ .....350,000,000 and interest thereon \$ .....4,426	350,004,426	200,013,644
23. Dividends to stockholders declared and unpaid	0	0
24. Miscellaneous liabilities:		
24.01 Asset valuation reserve	476,267,870	435,363,856
24.02 Reinsurance in unauthorized and certified (\$ .....0 ) companies	36,755	36,755
24.03 Funds held under reinsurance treaties with unauthorized and certified (\$ .....0 ) reinsurers	3,433,475,636	3,379,531,881
24.04 Payable to parent, subsidiaries and affiliates	30,299,708	9,781,115
24.05 Drafts outstanding	0	0
24.06 Liability for amounts held under uninsured plans	0	0
24.07 Funds held under coinsurance	0	0
24.08 Derivatives	(68,941,180)	877,146
24.09 Payable for securities	162,580,345	1,676,000
24.10 Payable for securities lending	241,407,063	86,998,059
24.11 Capital notes \$ .....0 and interest thereon \$ .....0	0	0
25. Aggregate write-ins for liabilities	846,160,508	987,238,939
26. Total liabilities excluding Separate Accounts business (Lines 1 to 25)	57,392,033,082	56,985,550,832
27. From Separate Accounts Statement	114,940,571,241	102,494,340,123
28. Total liabilities (Lines 26 and 27)	172,332,604,323	159,479,890,955
29. Common capital stock	13,800,000	13,800,000
30. Preferred capital stock	0	0
31. Aggregate write-ins for other than special surplus funds	0	0
32. Surplus notes	249,414,190	249,401,247
33. Gross paid in and contributed surplus	3,233,811,448	3,233,811,448
34. Aggregate write-ins for special surplus funds	(219,737,562)	1,249,574
35. Unassigned funds (surplus)	959,584,188	855,556,759
36. Less treasury stock, at cost:		
36.1 .....0 shares common (value included in Line 29 \$ .....0 )	0	0
36.2 .....0 shares preferred (value included in Line 30 \$ .....0 )	0	0
37. Surplus (Total Lines 31+32+33+34+35-36) (including \$ .....0 in Separate Accounts Statement)	4,223,072,264	4,340,019,028
38. Totals of Lines 29, 30 and 37	4,236,872,264	4,353,819,028
39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3)	176,569,476,587	163,833,709,983
<b>DETAILS OF WRITE-INS</b>		
2501. Deferred compensation	471,641,336	425,548,922
2502. Deferred purchase price liability	0	960,692
2503. Deferred rent	9,437,150	9,679,215
2598. Summary of remaining write-ins for Line 25 from overflow page	365,082,022	551,050,110
2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)	846,160,508	987,238,939
3101.		
3102.		
3103.		
3198. Summary of remaining write-ins for Line 31 from overflow page	0	0
3199. Totals (Lines 3101 through 3103 plus 3198)(Line 31 above)	0	0
3401. Interest rate swaps adjustment per permitted practice	(219,737,562)	1,249,574
3402.		
3403.		
3498. Summary of remaining write-ins for Line 34 from overflow page	0	0
3499. Totals (Lines 3401 through 3403 plus 3498)(Line 34 above)	(219,737,562)	1,249,574

## STATEMENT AS OF JUNE 30, 2014 OF THE JACKSON NATIONAL LIFE INSURANCE COMPANY

## SUMMARY OF OPERATIONS

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
1. Premiums and annuity considerations for life and accident and health contracts .....	12,989,676,406	11,513,308,713	22,736,185,733
2. Considerations for supplementary contracts with life contingencies .....	1,204,441	0	0
3. Net investment income .....	1,892,397,756	1,805,031,593	3,659,891,367
4. Amortization of Interest Maintenance Reserve (IMR) .....	59,472,701	67,739,975	174,784,225
5. Separate Accounts net gain from operations excluding unrealized gains or losses .....	0	0	0
6. Commissions and expense allowances on reinsurance ceded .....	27,230,714	30,107,766	58,055,413
7. Reserve adjustments on reinsurance ceded .....	0	0	0
8. Miscellaneous Income:			
8.1 Income from fees associated with investment management, administration and contract guarantees from Separate Accounts .....	1,294,963,147	1,015,469,048	2,175,402,974
8.2 Charges and fees for deposit-type contracts .....	0	0	0
8.3 Aggregate write-ins for miscellaneous income .....	139,681,525	107,027,012	239,952,835
9. Totals (Lines 1 to 8.3) .....	16,404,626,690	14,538,684,107	29,044,272,547
10. Death benefits .....	576,875,924	612,237,279	1,184,679,232
11. Matured endowments (excluding guaranteed annual pure endowments) .....	1,671,275	1,702,670	6,773,423
12. Annuity benefits .....	969,555,378	953,055,572	1,768,886,428
13. Disability benefits and benefits under accident and health contracts .....	5,308,060	5,342,159	10,787,916
14. Coupons, guaranteed annual pure endowments and similar benefits .....	51,537	66,832	126,270
15. Surrender benefits and withdrawals for life contracts .....	4,863,734,538	3,853,490,502	8,224,847,382
16. Group conversions .....	0	0	0
17. Interest and adjustments on contract or deposit-type contract funds .....	49,931,912	69,760,131	128,460,370
18. Payments on supplementary contracts with life contingencies .....	3,737,243	3,657,647	7,446,939
19. Increase in aggregate reserves for life and accident and health contracts .....	(328,049,594)	223,806,657	(390,568,750)
20. Totals (Lines 10 to 19) .....	6,142,816,273	5,723,119,449	10,941,439,210
21. Commissions on premiums, annuity considerations, and deposit-type contract funds (direct business only) .....	955,008,196	814,434,996	1,648,370,115
22. Commissions and expense allowances on reinsurance assumed .....	427,305	380,592	1,899,223
23. General insurance expenses .....	262,373,160	270,193,252	560,011,207
24. Insurance taxes, licenses and fees, excluding federal income taxes .....	34,367,207	33,768,637	59,431,007
25. Increase in loading on deferred and uncollected premiums .....	(8,403,829)	(8,628,611)	(2,045,587)
26. Net transfers to or (from) Separate Accounts net of reinsurance .....	7,277,723,647	6,181,044,713	12,516,044,041
27. Aggregate write-ins for deductions .....	184,613,263	187,733,898	399,991,250
28. Totals (Lines 20 to 27) .....	14,848,925,222	13,202,046,926	26,125,140,466
29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus Line 28) .....	1,555,701,468	1,336,637,181	2,919,132,081
30. Dividends to policyholders .....	5,470,668	5,729,812	10,071,218
31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29 minus Line 30) .....	1,550,230,800	1,330,907,369	2,909,060,863
32. Federal and foreign income taxes incurred (excluding tax on capital gains) .....	371,366,243	316,544,332	562,272,407
33. Net gain from operations after dividends to policyholders and federal income taxes and before realized capital gains or (losses) (Line 31 minus Line 32) .....	1,178,864,557	1,014,363,037	2,346,788,456
34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital gains tax of \$ .....	(259,247,643) (excluding taxes of \$ .....	(913,603,342)	(1,605,469,253)
35. Net income (Line 33 plus Line 34) .....	646,509,969	100,759,695	741,319,203
<b>CAPITAL AND SURPLUS ACCOUNT</b>			
36. Capital and surplus, December 31, prior year .....	4,353,819,028	4,296,157,960	4,296,157,960
37. Net income (Line 35) .....	646,509,969	100,759,695	741,319,203
38. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....	201,520,597	(336,872,866)	(668,664,175)
39. Change in net unrealized foreign exchange capital gain (loss) .....	0	0	0
40. Change in net deferred income tax .....	(14,233,257)	(31,488,444)	(170,573,393)
41. Change in nonadmitted assets .....	(88,865,866)	11,535,512	108,751,187
42. Change in liability for reinsurance in unauthorized and certified companies .....	0	0	(6,109)
43. Change in reserve on account of change in valuation basis, (increase) or decrease .....	0	0	0
44. Change in asset valuation reserve .....	(40,904,015)	(22,420,351)	(35,123,916)
45. Change in treasury stock .....	0	0	0
46. Surplus (contributed to) withdrawn from Separate Accounts during period .....	0	0	0
47. Other changes in surplus in Separate Accounts Statement .....	0	0	0
48. Change in surplus notes .....	12,944	11,946	24,504
49. Cumulative effect of changes in accounting principles .....	0	0	0
50. Capital changes:			
50.1 Paid in .....	0	0	0
50.2 Transferred from surplus (Stock Dividend) .....	0	0	0
50.3 Transferred to surplus .....	0	0	0
51. Surplus adjustment:			
51.1 Paid in .....	0	0	0
51.2 Transferred to capital (Stock Dividend) .....	0	0	0
51.3 Transferred from capital .....	0	0	0
51.4 Change in surplus as a result of reinsurance .....	0	7,153,371	7,153,371
52. Dividends to stockholders .....	(600,000,000)	(507,000,000)	(507,000,000)
53. Aggregate write-ins for gains and losses in surplus .....	(220,987,136)	415,776,715	581,780,396
54. Net change in capital and surplus for the year (Lines 37 through 53) .....	(116,946,764)	(362,544,422)	57,661,068
55. Capital and surplus, as of statement date (Lines 36 + 54) .....	4,236,872,264	3,933,613,538	4,353,819,028
<b>DETAILS OF WRITE-INS</b>			
08.301. General account policy fees .....	22,073,865	18,336,139	42,108,088
08.302. Marketing fees .....	115,467,918	88,492,450	191,540,969
08.303. Miscellaneous income .....	828,681	0	1,842,804
08.398. Summary of remaining write-ins for Line 8.3 from overflow page .....	1,311,061	198,423	4,460,974
08.399. Totals (Lines 08.301 through 08.303 plus 08.398) (Line 8.3 above) .....	139,681,525	107,027,012	239,952,835
2701. Additional contract benefits to Founders Plan policyholders .....	66,634	68,007	132,014
2702. Amortization of goodwill and value of business acquired .....	34,270,780	34,024,805	82,869,950
2703. Interest on funds withheld treaties .....	150,275,849	146,487,715	296,692,915
2798. Summary of remaining write-ins for Line 27 from overflow page .....	0	7,153,371	20,296,371
2799. Totals (Lines 2701 through 2703 plus 2798)(Line 27 above) .....	184,613,263	187,733,898	399,991,250
5301. Interest rate swaps adjustment per permitted practice .....	(220,987,136)	415,776,715	581,780,396
5302. ....			
5303. ....			
5398. Summary of remaining write-ins for Line 53 from overflow page .....	0	0	0
5399. Totals (Lines 5301 through 5303 plus 5398)(Line 53 above) .....	(220,987,136)	415,776,715	581,780,396



## STATEMENT AS OF JUNE 30, 2014 OF THE JACKSON NATIONAL LIFE INSURANCE COMPANY

**CASH FLOW**

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
<b>Cash from Operations</b>			
1. Premiums collected net of reinsurance .....	12,981,936,589	11,511,970,206	22,731,873,758
2. Net investment income .....	1,763,554,914	1,672,606,241	3,418,572,721
3. Miscellaneous income .....	1,464,325,040	1,136,000,095	2,475,121,978
4. Total (Lines 1 to 3) .....	16,209,816,543	14,320,576,542	28,625,568,457
5. Benefit and loss related payments .....	6,425,164,931	5,323,664,561	11,021,541,935
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....	7,529,895,021	6,530,749,984	13,153,965,546
7. Commissions, expenses paid and aggregate write-ins for deductions .....	1,336,601,180	1,334,094,920	2,239,492,360
8. Dividends paid to policyholders .....	5,279,221	5,747,119	11,982,058
9. Federal and foreign income taxes paid (recovered) net of \$ ..... 24,347,703 tax on capital gains (losses) .....	101,002,907	(168,909,370)	(263,234,774)
10. Total (Lines 5 through 9) .....	15,397,943,260	13,025,347,214	26,163,747,125
11. Net cash from operations (Line 4 minus Line 10) .....	811,873,283	1,295,229,328	2,461,821,332
<b>Cash from Investments</b>			
12. Proceeds from investments sold, matured or repaid:			
12.1 Bonds .....	2,578,737,821	2,883,837,991	5,596,910,896
12.2 Stocks .....	69,175,279	41,631,175	161,990,767
12.3 Mortgage loans .....	672,819,203	529,017,201	1,088,851,183
12.4 Real estate .....	1,060	0	5,258
12.5 Other invested assets .....	115,385,293	198,090,488	430,562,556
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....	0	9,899	0
12.7 Miscellaneous proceeds .....	(255,159,143)	(651,825,445)	(1,155,557,934)
12.8 Total investment proceeds (Lines 12.1 to 12.7) .....	3,180,959,513	3,000,761,309	6,122,762,726
13. Cost of investments acquired (long-term only):			
13.1 Bonds .....	2,955,546,238	2,459,284,636	5,332,126,392
13.2 Stocks .....	77,706,978	112,325,195	237,660,531
13.3 Mortgage loans .....	570,249,549	797,512,152	1,632,747,500
13.4 Real estate .....	17,597,222	7,568,903	13,609,247
13.5 Other invested assets .....	100,867,015	48,448,917	229,909,286
13.6 Miscellaneous applications .....	439,867,699	530,532,709	1,343,526,886
13.7 Total investments acquired (Lines 13.1 to 13.6) .....	4,161,834,701	3,955,672,512	8,789,579,842
14. Net increase (or decrease) in contract loans and premium notes .....	(70,159,254)	(40,617,206)	97,498,501
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) .....	(910,715,934)	(914,293,997)	(2,764,315,617)
<b>Cash from Financing and Miscellaneous Sources</b>			
16. Cash provided (applied):			
16.1 Surplus notes, capital notes .....	0	0	0
16.2 Capital and paid in surplus, less treasury stock .....	0	0	0
16.3 Borrowed funds .....	149,997,689	0	195,000,000
16.4 Net deposits on deposit-type contracts and other insurance liabilities .....	688,579,235	(408,138,526)	(55,092,483)
16.5 Dividends to stockholders .....	600,000,000	507,000,000	507,000,000
16.6 Other cash provided (applied) .....	(167,819,671)	508,466,399	575,513,662
17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5 plus Line 16.6) .....	70,757,253	(406,672,127)	208,421,179
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>			
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) ..	(28,085,398)	(25,736,796)	(94,073,106)
19. Cash, cash equivalents and short-term investments:			
19.1 Beginning of year .....	349,124,309	443,197,415	443,197,415
19.2 End of period (Line 18 plus Line 19.1) .....	321,038,911	417,460,619	349,124,309

Note: Supplemental disclosures of cash flow information for non-cash transactions:

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**OVERFLOW PAGE FOR WRITE-INS**

## Additional Write-ins for Assets Line 25

	Current Statement Date			4 December 31 Prior Year Net Admitted Assets
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	
2504. DTA on interest rate swap permitted practice .....	118,320,225	0	118,320,225	(672,848)
2505. Goodwill and value of business acquired .....	418,198,532	0	418,198,532	452,469,313
2506. ING indemnification receivable .....	369,000	0	369,000	369,000
2507. Prepaid operating expenses .....	3,343,964	3,343,964	0	0
2597. Summary of remaining write-ins for Line 25 from overflow page	540,231,721	3,343,964	536,887,757	452,165,465

## Additional Write-ins for Liabilities Line 25

	1 Current Statement Date	2 December 31 Prior Year
2504. Founders Plan liability .....	68,694	131,672
2505. Interest payable on death claims .....	46,930,472	51,030,363
2506. Interest payable - surplus note .....	5,999,306	5,999,306
2507. Investment escrow & unallocated proceeds .....	11,424,516	29,387,092
2508. Other contingency reserves .....	369,000	369,000
2509. Repurchase agreements .....	202,322,096	415,270,780
2510. Unclaimed property .....	53,277,938	48,861,897
2511. Collateral payable .....	44,690,000	0
2597. Summary of remaining write-ins for Line 25 from overflow page	365,082,022	551,050,110

## Additional Write-ins for Summary of Operations Line 8.3

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
08.304. Reinsurance experience and other refunds .....	1,311,061	196,423	2,725,337
08.305. MTN redemption fees .....	0	2,000	1,735,637
08.397. Summary of remaining write-ins for Line 8.3 from overflow page	1,311,061	198,423	4,460,974

## Additional Write-ins for Summary of Operations Line 27

	1 Current Year To Date	2 Prior Year To Date	3 Prior Year Ended December 31
2704. Other expenses on reinsurance ceded .....	0	0	13,143,000
2705. Reinsurance on in-force business .....	0	7,153,371	7,153,371
2797. Summary of remaining write-ins for Line 27 from overflow page	0	7,153,371	20,296,371

## DEALERS

### US DEALERS

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**TRUSTEE**

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