FORM 10-K

PROTECTIVE LIFE CORP - N/A

Filed: February 28, 2014 (period: December 31, 2013)

Annual report with a comprehensive overview of the company

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2013

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from to

Commission File Number 001-11339

PROTECTIVE LIFE CORPORATION
(Exact name of registrant as specified in its charter)

DELAWARE	**95-2492236**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

2801 HIGHWAY 280 SOUTH
BIRMINGHAM, ALABAMA 35223
(Address of principal executive offices and zip code)

Registrant's telephone number, including area code **(205) 268-1000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.50 Par Value	New York Stock Exchange
PLC Capital Trust V 6.125% Trust Originated Preferred Securities, including the Guarantee of Protective Life Corporation	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Note—Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒	Accelerated Filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller Reporting Company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

Aggregate market value of the registrant's voting common stock held by non-affiliates of the registrant as of June 30, 2013: $2,962,056,456

Number of shares of Common Stock, $0.50 Par Value, outstanding as of February 10, 2014: 78,600,606

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement prepared for the 2014 annual meeting of shareowners, pursuant to Regulation 14A, are incorporated by reference into Part III of this Report.

PROTECTIVE LIFE CORPORATION
ANNUAL REPORT ON FORM 10-K
FOR FISCAL YEAR ENDED DECEMBER 31, 2013

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PART I

Item 1. Business

Protective Life Corporation is a holding company headquartered in Birmingham, Alabama, with subsidiaries that provide financial services primarily in the United States through the production, distribution, and administration of insurance and investment products. Founded in 1907, Protective Life Insurance Company ("PLICO") is the Company's largest operating subsidiary. Unless the context otherwise requires, the "Company," "we," "us," or "our" refers to the consolidated group of Protective Life Corporation and its subsidiaries.

The Company operates several operating segments, each having a strategic focus. An operating segment is distinguished by products, channels of distribution, and/or other strategic distinctions. The Company's operating segments are Life Marketing, Acquisitions, Annuities, Stable Value Products, and Asset Protection. The Company has an additional segment referred to as Corporate and Other which consists of net investment income not assigned to the segments above (including the impact of carrying liquidity) and expenses not attributable to the segments above (including interest on certain corporate debt). This segment also includes earnings from several non-strategic or runoff lines of business, various investment-related transactions, the operations of several small subsidiaries, and the repurchase of non-recourse funding obligations. The Company periodically evaluates operating segments, as prescribed in the Accounting Standard Codification ("ASC" or "Codification") Segment Reporting Topic, and makes adjustments to our segment reporting as needed.

Additional information concerning the Company's operating segments may be found in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* and Note 25, *Operating Segments* to consolidated financial statements included herein.

In the following paragraphs, the Company reports sales and other statistical information. These statistics are used to measure the relative progress of its marketing and acquisition efforts, but may or may not have an immediate impact on reported segment operating income. Sales data for traditional life insurance is based on annualized premiums, while universal life sales are based on annualized planned premiums, or "target" premiums if lesser, plus 6% of amounts received in excess of target premiums and 10% of single premiums. "Target" premiums for universal life are those premiums upon which full first year commissions are paid. Sales of annuities are measured based on the amount of purchase payments received less surrenders occurring within twelve months of the purchase payments. Stable value contract sales are measured at the time that the funding commitment is made based on the amount of purchase payments to be received. Sales within the Asset Protection segment are based on the amount of single premiums and fees received.

These statistics are derived from various sales tracking and administrative systems and are not derived from the Company's financial reporting systems or financial statements. These statistics attempt to measure only some of the many factors that may affect future profitability, and therefore, are not intended to be predictive of future profitability.

Life Marketing

The Life Marketing segment markets universal life ("UL"), variable universal life ("VUL"), bank-owned life insurance ("BOLI"), and level premium term insurance ("traditional") products on a national basis, primarily through networks of independent insurance agents and brokers, stockbrokers, and independent marketing organizations.

The following table presents the Life Marketing segment's sales measured by new premium:

For The Year Ended December 31,	Sales (Dollars In Millions)
2009	$ 163
2010	171
2011	133
2012	121
2013	155

Acquisitions

The Acquisitions segment focuses on acquiring, converting, and servicing policies from other insurance companies. The segment's primary focus is on life insurance policies and annuity products that were sold to individuals. The level of the segment's acquisition activity is predicated upon many factors, including available capital, operating capacity, potential return on capital, and market dynamics. The Company expects acquisition opportunities to continue to be available; however, the Company believes it may face increased competition and evolving capital requirements that may affect the environment and the form of future acquisitions.

Most acquisitions completed by the Acquisitions segment have not included the acquisition of an active sales force, thus policies acquired through the segment are typically blocks of business where no new policies are being marketed. Therefore earnings and account values are expected to decline as the result of lapses, deaths, and other terminations of coverage, unless new acquisitions are made. The segment's revenues and earnings may fluctuate from year to year depending upon the level of acquisition activity. In transactions where some marketing activity was included, the Company may cease future marketing efforts, redirect those efforts to another segment of the Company, or elect to continue marketing new policies as a component of other segments.

The Company believes that its focused and disciplined approach to the acquisition process and its experience in the assimilation, conservation, and servicing of acquired policies provide a significant competitive advantage.

On occasion, the Company's other operating segments have acquired companies and/or blocks of policies. The results of these acquisitions are included in the respective segment's financials.

On October 1, 2013 PLICO completed the acquisition contemplated by the master agreement (the "Master Agreement") dated April 10, 2013 and incorporated by reference in this Annual Report on Form 10-K as Exhibit 2. Pursuant to that Master Agreement with AXA Financial, Inc. ("AXA") and AXA Equitable Financial Services, LLC ("AEFS"), PLICO acquired the stock of MONY Life Insurance Company ("MONY") from AEFS and entered into a reinsurance agreement (the "Reinsurance Agreement") pursuant to which it reinsured on a 100% indemnity reinsurance basis certain business (the "MLOA Business") of MONY Life Insurance Company of America ("MLOA"). The aggregate purchase price of MONY was $686 million. The ceding commission for the reinsurance of the MLOA Business was $370 million. Together, the purchase of MONY and reinsurance of the MLOA Business are hereto referred to as (the "MONY acquisition"). The MONY acquisition allowed the Company to invest its capital and increase the scale of its Acquisitions segment. The MONY acquisition business is comprised of traditional and universal life insurance policies and fixed and variable annuities, most of which were written prior to 2004. See Note 3, *Significant Acquisitions* for additional information.

Annuities

The Annuities segment markets fixed and variable annuity ("VA") products. These products are primarily sold through broker-dealers, financial institutions, and independent agents and brokers.

The Company's fixed annuities include modified guaranteed annuities which guarantee an interest rate for a fixed period. Contract values for these annuities are "market-value adjusted" upon surrender prior to maturity. In certain interest rate environments, these products afford the Company with a measure of protection from the effects of changes in interest rates. The Company's fixed annuities also include single premium deferred annuities, single premium immediate annuities, and indexed annuities. The Company's variable annuities offer the policyholder the opportunity to invest in various investment accounts and offer optional features that guarantee the death and withdrawal benefits of the underlying annuity.

The demand for annuity products is related to the general level of interest rates, performance of the equity markets, and perceived risk of insurance companies. The following table presents fixed and VA sales:

For The Year Ended December 31,	Fixed Annuities	Variable Annuities	Total Annuities
	(Dollars In Millions)		
2009	$ 1,225	$ 796	$ 2,021
2010	930	1,715	2,645
2011	1,032	2,349	3,381
2012	592	2,735	3,327
2013	693	1,867	2,560

Stable Value Products

The Stable Value Products segment sells fixed and floating rate funding agreements directly to the trustees of municipal bond proceeds, money market funds, bank trust departments, and other institutional investors. The segment also issues funding agreements to the Federal Home Loan Bank ("FHLB"), and markets guaranteed investment contracts ("GICs") to 401(k) and other qualified retirement savings plans. GICs are contracts which specify a return on funds for a specified period and often provide flexibility for withdrawals at book value in keeping with the benefits provided by the plan. The demand for GICs is related to the relative attractiveness of the "fixed rate" investment option in a 401(k) plan compared to the equity-based investment options available to plan participants. Additionally, the Company has contracts outstanding pursuant to a funding agreement-backed notes program registered with the United States Securities and Exchange Commission (the "SEC") which offers notes to both institutional and retail investors.

The segment's products complement the Company's overall asset/liability management in that the terms may be tailored to the needs of PLICO as the seller of the contracts. The Company's emphasis is on a consistent and disciplined approach to product pricing and asset/liability management, careful underwriting of early withdrawal risks, and maintaining low distribution and administration costs. Most GICs and funding agreements written by the Company have maturities of one to ten years.

The following table presents Stable Value Products sales:

For The Year Ended December 31,	GICs	Funding Agreements	Total
	(Dollars In Millions)		
2009	$ —	$ —	$ —
2010	133	625	758
2011	499	300	799
2012	400	222	622
2013	495	—	495

Asset Protection

The Asset Protection segment markets extended service contracts and credit life and disability insurance to protect consumers' investments in automobiles, watercraft, and recreational vehicles ("RV"). In addition, the segment markets a guaranteed asset protection ("GAP") product. GAP coverage covers the difference between the loan pay-off amount and an asset's actual cash value in the case of a total loss. The segment's products are primarily marketed through a national network of approximately 8,000 automobile, marine, and RV dealers. A network of direct employee sales representatives and general agents distribute these products to the dealer market.

The following table presents the insurance and related product sales measured by new revenue:

For The Year Ended December 31,	Sales (Dollars In Millions)
2009	$ 305
2010	343
2011	416
2012	451
2013	470

In 2013, approximately 98% of the segment's sales were through the automobile, marine, and RV dealer distribution channel and approximately 79% of the segment's sales were extended service contracts. A portion of the sales and resulting premiums are reinsured with producer-affiliated reinsurers.

Corporate and Other

The Corporate and Other segment primarily consists of net investment income not assigned to the segments above (including the impact of carrying liquidity) and expenses not attributable to the segments above (including interest on certain corporate debt). This segment includes earnings from several non-strategic or runoff lines of business, various investment-related transactions, the operations of several small subsidiaries, and the repurchase of non-recourse funding obligations. The earnings of this segment may fluctuate from year to year.

Investments

As of December 31, 2013, the Company's investment portfolio was approximately $43.8 billion. The types of assets in which the Company may invest are influenced by various state insurance laws which prescribe qualified investment assets. Within the parameters of these laws, the Company invests in assets giving consideration to such factors as liquidity and capital needs, investment quality, investment return, matching of assets and liabilities, and the overall composition of the investment portfolio by asset type and credit exposure. For further information regarding the Company's investments, the maturity of and the concentration of risk among the Company's invested assets, derivative financial instruments, and liquidity, see Note 2, *Summary of Significant Accounting Policies,* Note 5, *Investment Operations*, Note 23, *Derivative Financial Instruments* to consolidated financial statements, and Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

The following table presents the investment results from continuing operations of the Company:

For The Year Ended December 31,	Cash, Accrued Investment Income, and Investments as of December 31,	Net Investment Income	Percentage Earned on Average of Cash and Investments	Realized Investment Gains (Losses) Derivative Financial Instruments	Realized Investment Gains (Losses) All Other Investments
	(Dollars In Thousands)				
2009	$ 29,547,513	$ 1,665,036	5.9%	$ (177,953)	$ 120,149
2010	31,970,632	1,683,676	5.4	(138,249)	112,856
2011	35,558,958	1,820,643	5.3	(155,251)	187,473
2012	37,640,971	1,862,332	4.9	(238,480)	172,149
2013	44,737,364	1,918,081	4.9	188,131	(145,984)

Mortgage Loans

The Company invests a portion of its investment portfolio in commercial mortgage loans. As of December 31, 2013, the Company's mortgage loan holdings were approximately $5.5 billion. The Company has specialized in making loans on either credit-oriented commercial properties or credit-anchored strip shopping centers and apartments. The Company's underwriting procedures relative to its commercial loan portfolio are based, in the Company's view, on a conservative and disciplined approach. The Company concentrates on a small number of commercial real estate asset types associated with the necessities of life (retail, multi-family, professional office buildings, and warehouses). The Company believes these asset types tend to weather economic downturns better than other commercial asset classes in which the Company has chosen not to participate. The Company believes this disciplined approach has helped to maintain a relatively low delinquency and foreclosure rate throughout its history. The majority of the Company's mortgage loan portfolio was underwritten and funded by the Company. From time to time, the Company may acquire loans in conjunction with an acquisition. During 2013, the Company acquired previously funded mortgage loans as part of the MONY acquisition with a fair value of $823.3 million as of the acquisition date. For more information regarding the Company's investment in mortgage loans, refer to Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* and Note 6, *Mortgage Loans* to the consolidated financial statements included herein.

Ratings

Various Nationally Recognized Statistical Rating Organizations ("rating organizations") review the financial performance and condition of insurers, including our insurance subsidiaries, and publish their financial strength ratings as indicators of an insurer's ability to meet policyholder and contract holder obligations. These ratings are important to maintaining public confidence in an insurer's products, its ability to market its products and its competitive position. The following table summarizes the financial strength ratings of our significant member companies from the major independent rating organizations as of December 31, 2013:

Ratings	A.M. Best	Fitch	Standard & Poor's	Moody's
Insurance company financial strength rating:				
Protective Life Insurance Company	A+	A	AA-	A2
West Coast Life Insurance Company	A+	A	AA-	A2
Protective Life and Annuity Insurance Company	A+	A	AA-	—
Lyndon Property Insurance Company	A-	—	—	—
MONY Life Insurance Company	A+	A	A+	A2

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Rating organizations also publish credit ratings for the issuers of debt securities, including the Company. Credit ratings are indicators of a debt issuer's ability to meet the terms of debt obligations in a timely manner. These ratings are important in the debt issuer's overall ability to access credit markets and other types of liquidity. Credit ratings are not recommendations to buy our securities or products.

The Company's ratings are subject to review and change by the rating organizations at any time and without notice. Rating organizations assign ratings based upon several factors. While most of the factors relate to the rated company, some of the factors relate to the views of the rating organization, general economic conditions, and circumstances outside the rated company's control. In addition, rating organizations use various models and formulas to assess the strength of a rated company, and from time to time rating organizations have, in their discretion, altered the models. Changes to the models could impact the rating organizations' judgment of the rating to be assigned to the rated company.

Life Insurance In-Force

The following table presents life insurance sales by face amount and life insurance in-force:

	For The Year Ended December 31,				
	2013	2012	2011	2010	2009
	(Dollars In Thousands)				
New Business Written					
Life Marketing	$ 39,107,963	$ 20,488,483	$ 19,357,654	$ 30,626,739	$ 50,621,394
Asset Protection	1,040,593	1,013,484	1,093,770	1,191,268	1,376,012
Total	$ 40,148,556	$ 21,501,967	$ 20,451,424	$ 31,818,007	$ 51,997,406
Business Acquired					
Acquisitions	$ 44,812,977	$ —	$ 16,233,361	$ 13,185,627	$ —
Insurance In-Force at End of Year(1)					
Life Marketing	$535,747,678	$521,829,874	$541,899,176	$552,590,776	$553,799,195
Acquisitions	235,552,325	212,812,930	217,216,920	217,101,363	218,271,519
Asset Protection	2,149,324	2,243,597	2,367,047	2,625,886	3,019,142
Total	$773,449,327	$736,886,401	$761,483,143	$772,318,025	$775,089,856

(1) Reinsurance assumed has been included, reinsurance ceded (2013—$416,809,287; 2012—$444,950,8[illegible]; 2011—$469,530,48 2010—$495,056,077; 2009—$515,136,471) has not been deducted.

The ratio of voluntary terminations of individual life insurance to mean individual life insurance in-force, which is determined by dividing the amount of insurance terminated due to lapses during the year by the mean of the insurance in-force at the beginning and end of the year, adjusted for the timing of major acquisitions is as follows:

As of December 31,	Ratio of Voluntary Termination
2009	4.9%
2010	4.8
2011	5.0
2012	5.0
2013	5.1

Investment Products In-Force

The amount of investment products in-force is measured by account balances. The following table includes the stable value products and fixed and variable annuity account balances. A majority of the VA account balances are reported in the Company's financial statements as liabilities related to separate accounts.

As of December 31,	Stable Value Products	Fixed Annuities	Variable Annuities
	(Dollars In Thousands)		
2009	$ 3,581,150	$ 9,619,307	$ 3,240,190
2010	3,076,233	10,139,687	5,622,111
2011	2,769,510	10,436,281	7,252,526
2012	2,510,559	10,107,365	10,152,515
2013	2,559,552	10,832,956	13,083,735

Underwriting

The underwriting policies of the Company's insurance subsidiaries are established by management. With respect to individual insurance, the subsidiaries use information from the application and, in some cases, inspection reports, attending physician statements, and/or medical examinations to determine whether a policy should be issued as applied for, other than applied for, or rejected. Medical examinations of applicants are required for individual life insurance in excess of certain prescribed amounts (which vary based on the type of insurance) and for most individual insurance applied for by applicants over age 50. In the case of "simplified issue" policies, which are issued primarily through the Asset Protection segment, coverage is rejected if the responses to certain health questions contained in the application indicate adverse health of the applicant. For other than "simplified issue" policies, medical examinations are requested of any applicant, regardless of age and amount of requested coverage, if an examination is deemed necessary to underwrite the risk. Substandard risks may be referred to reinsurers for evaluation.

The Company's insurance subsidiaries generally require blood samples to be drawn with individual insurance applications above certain face amounts based on the applicant's age, except in the worksite and BOLI markets where limited blood testing is required. Blood samples are tested for a wide range of chemical values and are screened for antibodies to certain viruses. Applications also contain questions permitted by law regarding certain viruses which must be answered by the proposed insureds.

The Company utilizes an advanced underwriting system, TeleLife®, for certain segments of its life business. TeleLife® streamlines the application process through a telephonic interview of the applicant, schedules medical exams, accelerates the underwriting process and the ultimate issuance of a policy mostly through electronic means, and reduces the number of attending physician statements.

The Company's maximum retention limit on directly issued business is $2,000,000 for any one life on certain of its traditional life and universal life products.

Reinsurance Ceded

The Company's insurance subsidiaries cede life insurance to other insurance companies. The ceding insurance company remains liable with respect to ceded insurance should any reinsurer fail to meet the obligations assumed by it. The Company has also reinsured guaranteed minimum death benefit ("GMDB") claims relative to certain of its VA contracts.

For approximately 10 years prior to mid-2005, the Company entered into reinsurance contracts in which the Company ceded a significant percentage, approximately 90%, of its newly written traditional life insurance business on a first dollar quota share basis under coinsurance contracts. In mid-2005, the Company substantially discontinued coinsuring its newly written traditional life insurance and moved to yearly renewable term ("YRT") reinsurance. The amount of insurance retained by the Company on any one life on traditional life insurance was $500,000 in years prior to mid-2005. In 2005, this retention was increased to amounts up to $1,000,000 for certain policies, and during 2008, was increased to $2,000,000 for certain policies.

For approximately 15 years prior to 2012, the Company reinsured 90% of the mortality risk on the majority of its newly written universal life insurance on a YRT basis. During 2012, the Company moved to reinsure only amounts in excess of its $2,000,000 retention for the majority of its newly written universal life insurance.

Policy Liabilities and Accruals

The applicable insurance laws under which the Company's insurance subsidiaries operate require that each insurance company report policy liabilities to meet future obligations on the outstanding policies. These liabilities are the amounts which, with the additional premiums to be received and interest thereon compounded annually at certain assumed rates, are calculated in accordance with applicable law to be sufficient to meet the various policy and contract obligations as they mature. These laws specify that the liabilities shall not be less than liabilities calculated using certain named mortality tables and interest rates.

The policy liabilities and accruals carried in the Company's financial reports presented on the basis of accounting principles generally accepted in the United States of America ("GAAP") differ from those specified by the laws of the various states and carried in the insurance subsidiaries' statutory financial statements (presented on the basis of statutory accounting principles mandated by state insurance regulations). For policy liabilities other than those for universal life policies, annuity contracts, GICs, and funding agreements, these differences arise from the use of mortality and morbidity tables and interest rate assumptions which are deemed to be more appropriate for financial reporting purposes than those required for statutory accounting purposes, from the introduction of lapse assumptions into the calculation, and from the use of the net level premium method on all business. Policy liabilities for universal life policies, annuity contracts, GICs, and funding agreements are generally carried in the Company's financial reports at the account value of the policy or contract plus accrued interest.

Federal Taxes

Existing laws and regulations affect the taxation of the Company's products. Income taxes that would otherwise be payable by policyholders on investment income that is earned inside certain types of insurance and annuity policies are deferred during these products' accumulation period. This favorable tax treatment gives certain of the Company's products a competitive advantage over non-insurance products. If the individual income tax is revised such that there is an elimination or scale-back of the tax-deferred status of these insurance products, or competing non-insurance products are granted a tax-deferred status, then the relative attractiveness of the Company's products may be reduced or eliminated.

Life insurance products are often used to fund estate tax obligations. Since 2001, the estate tax has changed significantly. From 2000 to 2009, its highest marginal rate graded down from 55 percent to 45 percent, and there were significant changes in its key provisions. In 2010, the estate tax was completely eliminated. It was reinstated in 2011, but at lower rates and significantly-changed terms from what existed prior to 2001. In early 2013, *The American Tax Relief Act of 2012* was enacted. It provides that an estate is taxable only if its net value exceeds $5 million. This $5 million floor is indexed for inflation and any unused portion may be transferable. The highest marginal tax rate is 40 percent. Although it is subject to change (as is any existing law) by its terms this new estate tax does not have a schedule of changing rates, significantly-changing terms, or a sunset date. Nevertheless, if this tax is significantly reduced or eliminated again in the future, the demand for certain life insurance products could be adversely affected.

The Company is subject to the corporate income tax. It currently benefits from certain special tax benefits, such as deductions relating to its variable products' separate accounts and its future policy benefits and claims. Due to a number of factors, such as the current large government budget deficits and the resulting proposals to reduce these deficits, tax legislation could be enacted that would cause the Company to lose some or all of these deductions and therefore incur additional income tax expense.

The Company's insurance subsidiaries are taxed in a manner similar to other companies in its industry. Certain restrictions apply to the consolidation of recently-acquired life insurance companies into the Company's consolidated income tax return. Additionally, restrictions on the amount of life insurance income that can be offset by non-life-insurance losses can cause the Company's income tax expense to increase.

There is general uncertainty regarding the taxes to which the Company and its products will be subject to in the future. The Company cannot predict what changes to tax law will occur.

The Company's move away from reliance on reinsurance for newly written traditional life products results in a net reduction of current taxes, but an increase in deferred taxes. The Company allocates the benefits of reduced current taxes to the Life Marketing and Acquisition segments. The profitability and competitive position of certain products is dependent on the continuation of existing tax rules and interpretations as well as the Company's ability to generate future taxable income.

Competition

Life and health insurance is a mature and highly competitive industry. In recent years, the industry has experienced a decline in life insurance sales, though the aging population has increased the demand for retirement savings products. The Company encounters significant competition in all lines of business from other insurance companies, many of which have greater financial resources than the Company and which may have a greater market share, offer a broader range of products, services or features, assume a greater level of risk, have lower operating or financing costs, or have lower profitability expectations. The Company also faces competition from other providers of financial services. Competition could result in, among other things, lower sales or higher lapses of existing products.

The Company's ability to compete is dependent upon, among other things, its ability to attract and retain distributors to market its insurance and investment products, its ability to develop competitive and profitable products, its ability to maintain low unit costs, and its maintenance of adequate ratings from rating agencies.

As technology evolves, comparison of a particular product of any company for a particular customer with competing products for that customer is more readily available, which could lead to increased competition as well as agent or customer behavior, including persistency, which differs from past behavior.

Risk Management

Risk management is a critical part of the Company's business, and the Company has adopted risk management processes in multiple aspects of its operations, including product development and management, business acquisitions, underwriting, investment management, asset-liability management, and technology development projects. The Company's risk management office, under the direction of the Chief Risk Officer, along with other departments, management groups and committees, have responsibilities for managing different risks throughout the Company. Risk management includes the assessment of risk, a decision process to determine which risks are acceptable and the ongoing monitoring and management of identified risks. The primary objective of these risk management processes is to determine the acceptable level of variations the Company experiences from its expected results and to implement strategies designed to limit such variations to these levels.

Regulation

The Company is subject to government regulation in each of the states in which it conducts business. In many instances, the regulatory models emanate from the National Association of Insurance Commissioners ("NAIC"). Such regulation is vested in state agencies having broad administrative and in some instances discretionary power dealing with many aspects of the Company's business, which may include, among other things, premium rates and increases thereto, underwriting practices, reserve requirements, marketing practices, advertising, privacy, policy forms, reinsurance reserve requirements, insurer use of captive reinsurance companies, acquisitions, mergers, capital adequacy, claims practices and the remittance of unclaimed property. In addition, some state insurance departments may enact rules or regulations with extra-territorial application, effectively extending their jurisdiction to areas such as permitted insurance company investments that are normally the province of an insurance company's domiciliary state regulator.

The Company's insurance subsidiaries are required to file periodic reports with the regulatory agencies in each of the jurisdictions in which they do business, and their business and accounts are subject to examination by such agencies at any time. Under the rules of the NAIC, insurance companies are examined periodically (generally every three to five years) by one or more of the regulatory agencies on behalf of the states in which they do business. At any given time, a number of financial and/or market conduct examinations of the Company's subsidiaries may be ongoing. From time to time, regulators raise issues during examinations or audits for the Company's subsidiaries that could, if determined adversely, have a material impact on the Company. To date, no such insurance department examinations have produced any significant adverse findings regarding any of the Company's insurance company subsidiaries.

Under insurance guaranty fund laws, in most states insurance companies doing business therein can be assessed up to prescribed limits for policyholder losses incurred by insolvent companies. From time to time, companies may be asked to contribute amounts beyond prescribed limits. Although the Company cannot predict the amount of any future assessments, most insurance guaranty fund laws currently provide that an assessment may be excused or deferred if it would threaten an insurer's own financial strength.

In addition, many states, including the states in which the Company's insurance subsidiaries are domiciled, have enacted legislation or adopted regulations regarding insurance holding company systems. These laws require registration of and periodic reporting by insurance companies domiciled within the jurisdiction which control or are controlled by other corporations or persons so as to constitute an insurance holding company system. These laws also affect the acquisition of control of insurance companies as well as transactions between insurance companies and companies controlling them. Most states, including Tennessee, where PLICO is domiciled, require administrative approval of the acquisition of control of an insurance company domiciled in the state or the acquisition of control of an insurance holding company whose insurance subsidiary is incorporated in the state. In Tennessee, the acquisition of 10% of the voting securities of an entity is deemed to be the acquisition of control for the purpose of the insurance holding company statute and requires not only the filing of detailed information concerning the acquiring parties and the plan of acquisition, but also administrative approval prior to the acquisition. Recently, new holding company legislation has been adopted in certain states where the Company's insurance subsidiaries are domiciled, which subjects the subsidiaries to increased reporting requirements. Holding company legislation has been proposed in additional states, which, if adopted, will subject any domiciled subsidiaries to additional reporting requirements.

The states in which the Company's insurance subsidiaries are domiciled also impose certain restrictions on the subsidiaries' ability to pay dividends to the Company. These restrictions are based in part on the prior year's statutory income and surplus. In general, dividends up to specified levels are considered ordinary and may be paid without prior approval. Dividends in larger amounts are subject to approval by the insurance commissioner of the state of domicile. The maximum amount that would qualify as ordinary dividends to the Company by its insurance subsidiaries in 2014 is estimated to be

$305.1 million. No assurance can be given that more stringent restrictions will not be adopted from time to time by states in which the Company's insurance subsidiaries are domiciled; such restrictions could have the effect, under certain circumstances, of significantly reducing dividends or other amounts payable to the Company by such subsidiaries without affirmative prior approval by state regulatory authorities.

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, are often made for the benefit of the consumer and may lead to additional expense for the insurer. The NAIC may also be influenced by the initiatives or regulatory structures or schemes of international regulatory bodies, and those initiatives or regulatory structures or schemes may not translate readily into the regulatory structures or schemes or the legal system (including the interpretation or application of standards by juries), under which U.S. insurers must operate. Changes in laws and regulations, or in interpretations thereof, as well as initiatives or regulatory structures or schemes of international regulatory bodies, applicable to the Company could have a significant adverse impact on the Company. Some NAIC pronouncements, particularly as they affect accounting issues, take effect automatically in the various states without affirmative action by the states. Also, regulatory actions with prospective impact can potentially have a significant adverse impact on currently sold products.

At the federal level, bills are routinely introduced in both chambers of the United States Congress which could affect life insurers. In the past, Congress has considered legislation that would impact insurance companies in numerous ways, such as providing for an optional federal charter or a federal presence for insurance, pre-empting state law in certain respects to the regulation of reinsurance, increasing federal oversight in areas such as consumer protection and solvency regulation, and other matters. The Company cannot predict whether or in what form legislation will be enacted and, if so, the impact of such legislation on the Company.

The Company is also subject to various conditions and requirements of the Patient Protection and Affordable Care Act of 2010 (the "Healthcare Act"). The Healthcare Act makes significant changes to the regulation of health insurance and may affect the Company in various ways. The Healthcare Act may affect the small blocks of business the Company has offered or acquired over the years that are, or are deemed to be, health insurance. The Healthcare Act may also affect the benefit plans the Company sponsors for employees or retirees and their dependents, the Company's expense to provide such benefits, the tax liabilities of the Company in connection with the provision of such benefits, and the Company's ability to attract or retain employees. In addition, the Company may be subject to regulations, guidance or determinations emanating from the various regulatory authorities authorized under the Healthcare Act. The Healthcare Act, or any regulatory pronouncement made thereunder, could have a significant impact on the Company.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") makes sweeping changes to the regulation of financial services entities, products and markets. Certain provisions of Dodd-Frank are or may become applicable to the Company, its competitors or those entities with which the Company does business. Such provisions include, but are not limited to, the following: the establishment of consolidated federal regulation and resolution authority over systemically important financial services firms, the establishment of the Federal Insurance Office, changes to the regulation and standards applicable to broker dealers and investment advisors, changes to the regulation of reinsurance, changes to regulations affecting the rights of shareholders, the imposition of additional regulation over credit rating agencies, and the imposition of concentration limits on financial institutions that restrict the amount of credit that may be extended to a single person or entity.

Dodd-Frank also created the Consumer Financial Protection Bureau ("CFPB"), an independent division of the Department of Treasury with jurisdiction over credit, savings, payment, and other consumer financial products and services, other than investment products already regulated by the SEC or the U.S. Commodity Futures Trading Commission. Certain of the Company's subsidiaries sell products that may be regulated by the CFPB. In addition, Dodd-Frank includes a new framework of regulation of over-the-counter ("OTC") derivatives markets which requires clearing of certain types of transactions which have been or are currently traded OTC by the Company. The Company uses derivatives to mitigate a wide range of risks in connection with its business, including those arising from its VA products with guaranteed benefit features. The derivative clearing requirements of Dodd-Frank could continue to have an impact on the Company.

Numerous provisions of Dodd-Frank require the adoption of implementing rules and/or regulations. The process of adopting such implementing rules and/or regulations has been delayed beyond the timeframes imposed by Dodd-Frank. Until the various final regulations are promulgated pursuant to Dodd-Frank, the full impact of the regulations on the Company will remain unclear. In addition, Dodd-Frank mandates multiple studies, which could result in additional legislation or regulation applicable to the insurance industry, the Company, its competitors or the entities with which the Company does business. Legislative or regulatory requirements imposed by or promulgated in connection with Dodd-Frank may have a significant impact on the Company.

The Company may be subject to regulation by the United States Department of Labor when providing a variety of products and services to employee benefit plans and individual investors that are governed by the Employee Retirement Income Security Act ("ERISA"). The Department of Labor is currently in the process of re-proposing a rule that would change the circumstances under which one who works with employee benefit plans and Individual Retirement Accounts would be considered a fiduciary under ERISA. Severe penalties are imposed for breach of duties under ERISA and the Company cannot predict the impact that the Department of Labor's re-proposed rule may have on its operations.

Certain equity and debt securities, policies, contracts, and annuities offered by the Company are subject to regulation under the federal securities laws administered by the SEC. The federal securities laws contain regulatory restrictions and criminal, administrative, and private remedial provisions. From time to time, the SEC and the Financial Industry Regulatory Authority ("FINRA") examine or investigate the activities of broker dealers and investment advisors, including the Company's affiliated broker dealers and investment advisors. These examinations often focus on the activities of the registered representatives and registered investment advisors doing business through such entities.

Other types of regulation that could affect the Company and its subsidiaries include insurance company investment laws and regulations, state statutory accounting practices, anti-trust laws, minimum solvency requirements, state securities laws, federal privacy laws, insurable interest laws, federal anti-money laundering and anti-terrorism laws, employment and immigration laws and because the Company owns and operates real property, state, federal, and local environmental laws.

Additional issues related to regulation of the Company and its insurance subsidiaries are discussed in Item 1A, *Risk Factors and Cautionary Factors that may Affect Future Results* and in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, included herein.

Employees

As of December 31, 2013, the Company had approximately 2,415 employees, of which 2,402 were full-time and 13 were part-time employees. Included in the total were approximately 1,388 employees in Birmingham, Alabama, of which 1,381 were full-time and 7 were part-time employees. The Company believes its relations with its employees are satisfactory. Most employees are covered by contributory major medical, dental, vision, group life, and long-term disability insurance plans. The cost of these benefits to the Company in 2013 was approximately $14.1 million. In addition, substantially all of the employees may participate in a defined benefit pension plan and 401(k) Plan. The Company matches employee contributions to its 401(k) Plan. See Note 14, *Stock-Based Compensation* and Note 15, *Employee Benefit Plans* to our consolidated financial statements for additional information.

Available Information

The Company files reports with the SEC, including Annual Reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and other reports as required. The public may read and copy any materials the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The Company is an electronic filer and the SEC maintains an internet site at www.sec.gov that contains the reports, proxy and information statements, and other information filed electronically by the Company.

The Company makes available free of charge through its website, www.protective.com, the Company's Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports as soon as reasonably practicable after such materials are electronically filed with or furnished to the SEC. The information found on the Company's website is not part of this or any other report filed with or furnished to the SEC.

The Company also has available copies of the Company's Proxy Statement and the 2013 Annual Report to Shareowners which will be furnished to anyone who requests such documents from the Company. Requests for copies should be directed to: Shareowner Relations, Protective Life Corporation, P. O. Box 2606, Birmingham, Alabama 35202, Telephone (205) 268-3573, Fax (205) 268-5547.

The Company has adopted a Code of Business Conduct, which applies to all directors, officers and employees of the Company and its wholly owned subsidiaries. The Code of Business Conduct incorporates a code of ethics that applies to the principal executive officer and all financial officers (including the Chief Financial Officer and Chief Accounting Officer) of the Company and its subsidiaries. The Code of Conduct is available on the Company's website, www.protective.com.

Executive Officers

As of February 24, 2014, the Company's executive officers were as follows:

Name	Age	Position
John D. Johns	62	Chairman of the Board, President, Chief Executive Officer and a Director
Richard J. Bielen	53	Vice Chairman and Chief Financial Officer
Deborah J. Long	60	Executive Vice President, Secretary and General Counsel
Michael G. Temple	51	Executive Vice President, Chief Risk Officer
Carl S. Thigpen	57	Executive Vice President, Chief Investment Officer
D. Scott Adams	49	Senior Vice President, Chief Human Resources Officer
Steven G. Walker	54	Senior Vice President, Controller and Chief Accounting Officer

All executive officers are elected annually and serve at the pleasure of the Board of Directors. None of the executive officers are related to any director of the Company or to any other executive officer.

Mr. Johns has been Chairman of the Board of the Company since January 2003, and President and Chief Executive Officer of the Company since December 2001. He has been a Director of the Company since May 1997. Mr. Johns has been employed by the Company and its subsidiaries since 1993.

Mr. Bielen has been Vice Chairman and Chief Financial Officer of the Company since June 2007. From August 2006 to June 2007, Mr. Bielen served as Executive Vice President, Chief Investment Officer, and Treasurer of the Company. Mr. Bielen has been employed by the Company and its subsidiaries since 1991.

Ms. Long has been Executive Vice President, Secretary, and General Counsel of the Company since May 2007. From November 1996 to May 2007, Ms. Long served as Senior Vice President, Secretary, and General Counsel of the Company. Ms. Long has been employed by the Company and its subsidiaries since 1994.

Mr. Temple has been Executive Vice President and Chief Risk Officer of the Company since December 2012. Prior to joining the Company, Mr. Temple served as Senior Vice President and Chief Risk Officer at Unum Group in Chattanooga, Tennessee.

Mr. Thigpen has been Executive Vice President and Chief Investment Officer of the Company since June 2007. From January 2002 to June 2007, Mr. Thigpen served as Senior Vice President and Chief Mortgage and Real Estate Officer of the Company. Mr. Thigpen has been employed by the Company and its subsidiaries since 1984.

Mr. Adams has been Senior Vice President and Chief Human Resources Officer of the Company since April 2006.

Mr. Walker has been Senior Vice President since March 2004. Mr. Walker has been Controller and Chief Accounting Officer of the Company since September 2003. Mr. Walker has been employed by the Company and its subsidiaries since 2002.

Certain of these executive officers also serve as executive officers and/or directors of various of the Company's subsidiaries.

Item 1A. Risk Factors and Cautionary Factors that May Affect Future Results

The operating results of companies in the insurance industry have historically been subject to significant fluctuations. The factors which could affect the Company's future results include, but are not limited to, general economic conditions and known trends and uncertainties which are discussed more fully below.

The Company is exposed to the risks of natural and man-made disasters and catastrophes, pandemics, malicious acts, terrorist acts and climate change, which could adversely affect the Company's operations and results.

While the Company has obtained insurance, implemented risk management and contingency plans, and taken preventive measures and other precautions, no predictions of specific scenarios can be made nor can assurance be given that there are not scenarios that could have an adverse effect on the Company. A natural or man-made disaster or catastrophe, including a severe weather or geological event such as a storm, tornado, fire, flood, or earthquake, pandemic, malicious act, terrorist act, or the occurrence of climate change, could cause the Company's workforce to be unable to engage in operations at one or more of its facilities or result in short or long-term interruptions in the Company's business operations, any of which could be material to the Company's operating results for a particular period. In addition, such events could adversely affect the mortality, morbidity, or other experience of the Company or its reinsurers and have a significant negative impact on the Company. In addition, claims arising from the occurrence of such events or conditions could have a material adverse effect on the Company's financial condition and results of operations. Such events or conditions could also have an adverse effect on lapses and surrenders of existing policies, as well as sales of new policies. The Company's risk management efforts and other precautionary plans and activities may not adequately predict the impact on the Company from such events.

In addition, such events or conditions could result in a decrease or halt in economic activity in large geographic areas, adversely affecting the marketing or administration of the Company's business within such geographic areas and/or the general economic climate, which in turn could have an adverse effect on the Company. Such events or conditions could also result in additional regulation or restrictions on the Company in the conduct of its business. The possible macroeconomic effects of such events or conditions could also adversely affect the Company's asset portfolio, as well as many other aspects of the Company's business, financial condition, and results of operations.

A disruption affecting the electronic systems of the Company or those on whom the Company relies could adversely affect the Company's business, financial condition and results of operations.

In conducting its business, the Company relies extensively on various electronic systems, including computer systems, networks, data processing and administrative systems, and communication systems. The Company's business partners, counter parties, service providers and distributors also rely on such systems, as do securities exchanges and financial markets that are important to the Company's ability to conduct its business. These systems could be disrupted, damaged or destroyed by intentional or unintentional acts or events such as cyber-attacks, viruses, sabotage, acts of war or terrorism, human error, system failures, failures of power or water supply, and the loss or malfunction of other utilities or services. They may also be disrupted, damaged or destroyed by natural events such as storms, tornadoes, fires, floods or earthquakes. While the Company and others on whom it depends try to identify threats and implement measures to protect their systems, such protective measures may not be sufficient. Disruption, damage or destruction of any of these systems could cause the Company or others on whom the Company relies to be unable to conduct business for an extended period of time, which could materially adversely impact the Company's business and its financial condition and results of operations.

Confidential information maintained in the Company's systems could be compromised or misappropriated, damaging the Company's business and reputation and adversely affecting its financial condition and results of operations.

In the course of conducting its business, the Company retains confidential information, including information about its customers and proprietary business information. The Company retains confidential information in various electronic systems, including computer systems, data processing and administrative systems, and communication systems. The Company maintains physical, administrative, and technical safeguards to protect the information and it relies on commercial technologies to maintain the security of its systems and to maintain the security of its transmission of such information to other parties, including its business partners, counter parties and service providers. An intentional or unintentional breach or compromise of the Company's security measures could result in the disclosure, misappropriation, misuse, alteration or destruction of the confidential information retained by the Company, which could damage the Company's business and reputation, and adversely affect its financial condition and results of operations by, among other things, causing harm to the Company's customers, deterring customers and others from doing business with the Company, subjecting the Company to significant regulatory, civil, and criminal liability, and requiring the Company to incur significant legal and other expenses. As cyber threats continue to evolve, the Company may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. Although to date the Company has not experienced any material losses relating to cyber-attacks or other information security breaches at the Company or its counterparties, there can be no assurance that the Company will not suffer such losses in the future.

The Company's results and financial condition may be negatively affected should actual experience differ from management's assumptions and estimates.

In the conduct of business, the Company makes certain assumptions regarding mortality, morbidity, persistency, expenses, interest rates, equity market volatility, tax liability, business mix, frequency and severity of claims, contingent liabilities, investment performance, and other factors appropriate to the type of business it expects to experience in future periods. These assumptions are also used to estimate the amounts of deferred policy acquisition costs, policy liabilities and accruals, future earnings, and various components of the Company's balance sheet. These assumptions are used in the operation of the Company's business in making decisions crucial to the success of the Company, including the pricing of products and expense structures relating to products. The Company's actual experience, as well as changes in estimates, is used to prepare the Company's financial statements. To the extent the Company's actual experience and changes in estimates differ from original estimates, the Company's financial condition may be affected.

Mortality, morbidity, and casualty expectations incorporate assumptions about many factors, including for example, how a product is distributed, for what purpose the product is purchased, the mix of customers purchasing the products, persistency and lapses, future progress in the fields of health and medicine, and the projected level of used vehicle values. Actual mortality, morbidity, and/or casualty experience may differ from expectations. In addition, continued activity in the viatical, stranger-owned, and/or life settlement industry could cause the Company's level of lapses to differ from its assumptions about persistency and lapses, which could negatively impact the Company's performance.

The calculations the Company uses to estimate various components of its balance sheet and statements of income are necessarily complex and involve analyzing and interpreting large quantities of data. The Company currently employs various techniques for such calculations. From time to time it develops and implements more sophisticated administrative systems and procedures capable of facilitating the calculation of more precise estimates.

Assumptions and estimates involve judgment, and by their nature are imprecise and subject to changes and revisions over time. Accordingly, the Company's results may be affected, positively or negatively, from time to time, by actual results differing from assumptions, by changes in estimates, and by changes resulting from implementing more sophisticated administrative systems and procedures that facilitate the calculation of more precise estimates.

The Company may not realize its anticipated financial results from its acquisitions strategy.

The Company's acquisitions of companies and acquisitions or coinsurance of blocks of insurance business have increased its earnings in part by allowing the Company to position itself to realize certain operating efficiencies. However, there can be no assurance that the Company will have future suitable opportunities for, or sufficient capital available to fund, such transactions. In addition, there can be no assurance that the Company will realize the anticipated financial results from such transactions.

The Company may be unable to complete an acquisition transaction. Completion of an acquisition transaction may be more costly or take longer than expected, or may have a different or more costly financing structure than initially contemplated. In addition, the Company may not be able to complete or manage multiple acquisition transactions at the same time, or the completion of such transactions may be delayed or be more costly than initially contemplated. The Company or other parties to the transaction may be unable to obtain regulatory approvals required to complete an acquisition transaction. There may also be unforeseen liabilities that arise in connection with businesses or blocks of insurance business that the Company acquires.

Additionally, in connection with its acquisition transactions that involve reinsurance, the Company assumes, or otherwise becomes responsible for, the obligations of policies and other liabilities of other insurers. Any regulatory, legal, financial, or other adverse development affecting the other insurer could also have an adverse effect on the Company.

The Company may not be able to achieve the expected results from its recent acquisition.

On October 1, 2013, Protective Life Insurance Company ("PLICO"), a wholly owned subsidiary of the Company, completed the acquisition of MONY Life Insurance Company and reinsured certain business of MONY Life Insurance Company of America (collectively, the "MONY acquisition"). Integration of the MONY acquisition may be more expensive, more difficult, or take longer than expected; the actual financial results of the MONY acquisition could differ materially from the Company's expectations and may be impacted by items not taken into account in its forecasts and calculations; and the Company's expectations regarding its ability to successfully integrate and transition the acquired operations and satisfy its legal and compliance obligations in relation to the MONY acquisition may prove to be incorrect.

Assets allocated to the MONY Closed Block benefit only the holders of certain policies; adverse performance of Closed Block assets or adverse experience of Closed Block liabilities may negatively affect the Company.

On October 1, 2013, the Company completed the acquisition of MONY Life Insurance Company from AXA Financial, Inc. MONY was converted from a mutual insurance company to a stock corporation in accordance with its Plan of Reorganization dated August 14, 1998, as amended. In connection with its demutualization, an accounting mechanism known as a closed block (the "Closed Block") was established for the benefit of policyholders who owned certain individual insurance policies of MONY in force as of the date of demutualization. Please refer to Note 4, *MONY Closed Block of Business,* to the consolidated financial statements for a more detailed description of the Closed Block.

Assets allocated to the Closed Block inure solely to the benefit of the Closed Block's policyholders and will not revert to the benefit of the Company. However, if the Closed Block has insufficient funds to make guaranteed policy benefit payments, such payments must be made from assets outside the Closed Block. Adverse financial or investment performance of the Closed Block, or adverse mortality or lapse experience on policies in the Closed Block, may require MONY to pay policyholder benefits using assets outside the Closed Block, which events could have a material adverse impact on the Company's financial condition or results of operations and negatively affect the Company's risk-based capital ratios.

The Company is dependent on the performance of others.

The Company's results may be affected by the performance of others because the Company has entered into various arrangements involving other parties. For example, most of the Company's products are sold through independent distribution channels, variable annuity deposits are invested in funds managed by third parties, and certain modified coinsurance assets are managed by third parties. Also, the Company may rely upon third parties to administer certain portions of its business. Additionally, the Company's operations are dependent on various technologies, some of which are provided and/or maintained by other parties. Any of the other parties upon which the Company depends may default on their obligations to the Company due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud, or other reasons. Such defaults could have a material adverse effect on the Company's financial condition and results of operations.

Certain of these other parties may act on behalf of the Company or represent the Company in various capacities. Consequently, the Company may be held responsible for obligations that arise from the acts or omissions of these other parties.

As with all financial services companies, the Company's ability to conduct business is dependent upon consumer confidence in the industry and its products. Actions of competitors and financial difficulties of other companies in the industry could undermine consumer confidence and adversely affect retention of existing business and future sales of the Company's insurance and investment products.

The Company's risk management policies, practices, and procedures could leave it exposed to unidentified or unanticipated risks, which could negatively affect its business or result in losses.

The Company has developed risk management policies and procedures and expects to continue to enhance these in the future. Nonetheless, the Company's policies and procedures to identify, monitor, and manage both internal and external risks may not predict future exposures, which could be different or significantly greater than expected.

These identified risks may not be the only risks facing the Company. Additional risks and uncertainties not currently known to the Company, or that it currently deems to be immaterial, may adversely affect its business, financial condition and/or operating results.

The Company's strategies for mitigating risks arising from its day-to-day operations may prove ineffective resulting in a material adverse effect on its results of operations and financial condition.

The Company's performance is highly dependent on its ability to manage risks that arise from a large number of its day-to-day business activities, including: policy pricing, reserving and valuation; underwriting; claims processing; policy administration and servicing; execution of its investment and hedging strategy; financial and tax reporting; and other activities, many of which are very complex. The Company also may rely on third parties for such activities. The Company seeks to monitor and control its exposure to risks arising out of or related to these activities through a variety of internal controls, management review processes, and other mechanisms. However, the occurrence of unforeseen or un-contemplated risks, or the occurrence of risks of a greater magnitude than expected, including those arising from a failure in processes, procedures or systems implemented by the Company or a failure on the part of employees or third parties upon which the Company relies in this regard, may have a material adverse effect on the Company's financial condition or results of operations.

Interest rate fluctuations and sustained periods of low interest rates could negatively affect the Company's interest earnings and spread income, or otherwise impact its business.

Significant changes in interest rates expose the Company to the risk of not earning anticipated interest on products without significant account balances, or not realizing anticipated spreads between the interest rate earned on investments and the credited interest rates paid on in-force policies and contracts that have significant account balances. Both rising and declining interest rates as well as sustained periods of low interest rates can negatively affect the Company's interest earnings and spread income.

Lower interest rates may also result in lower sales of certain of the Company's life insurance and annuity products. Additionally, during periods of declining or low interest rates, certain previously issued life insurance and annuity products may be relatively more attractive investments to consumers, resulting in increased premium payments on products with flexible premium features, repayment of policy loans and increased persistency, or a higher percentage of insurance policies remaining in force from year to year during a period when the Company's investments earn lower returns. Certain of the Company's life insurance and annuity products guarantee a minimum credited interest rate, and the Company could become unable to earn its spread income or may earn less interest on its investments than it is required to credit to policy holders should interest rates decrease significantly and/or remain low for sustained periods. Additionally, the profitability of certain of the Company's life insurance products that do not have significant account balances could be reduced should interest rates decrease significantly and/or remain low for sustained periods.

The Company's expectation for future interest earnings and spreads is an important component in amortization of deferred acquisition costs ("DAC") and value of business acquired ("VOBA"), and significantly lower interest earnings or spreads may cause it to accelerate amortization, thereby reducing net income in the affected reporting period. Sustained periods of low interest rates could also result in an increase in the valuation of the future policy benefit or policyholder account balance liabilities associated with the Company's products.

Higher interest rates may create a less favorable environment for the origination of mortgage loans and decrease the investment income the Company receives in the form of prepayment fees, make-whole payments, and mortgage participation income. Higher interest rates would also adversely affect the market value of fixed income securities within the Company's investment portfolio. Higher interest rates may also increase the cost of debt and other obligations of the Company having floating rate or rate reset provisions and may result in fluctuations in sales of annuity products. During periods of increasing market interest rates, the Company may offer higher crediting rates on interest-sensitive products, such as universal life insurance and fixed annuities, and it may increase crediting rates on in-force products to keep these products competitive. In addition, rapidly rising interest rates may cause increased policy surrenders, withdrawals from life insurance policies and annuity contracts, and requests for policy loans as policyholders and contract holders shift assets into higher yielding investments. Increases in crediting rates, as well as surrenders and withdrawals, could have an adverse effect on the Company's financial condition and results of operations, including earnings, equity (including AOCI), and statutory risk based capital ratios.

Additionally, the Company's asset/liability management programs and procedures incorporate assumptions about the relationship between short-term and long-term interest rates (i.e., the slope of the yield curve) and relationships between risk-adjusted and risk-free interest rates, market liquidity, and other factors. The effectiveness of the Company's asset/liability management programs and procedures may be negatively affected whenever actual results differ from these assumptions. In general, the Company's results are improved when the yield curve is positively sloped (i.e., when long-term interest rates are higher than short-term interest rates), and will be adversely affected by a flat or negatively sloped curve.

The Company's investments are subject to market and credit risks. These risks could be heightened during periods of extreme volatility or disruption in financial and credit markets.

The Company's invested assets and derivative financial instruments are subject to risks of credit defaults and changes in market values. These risks could be heightened during periods of extreme volatility or disruption in the financial and credit markets. A widening of credit spreads will increase the unrealized losses in the Company's investment portfolio. The factors affecting the financial and credit markets could lead to other-than-temporary impairments of assets in the Company's investment portfolio.

The value of the Company's commercial mortgage loan portfolio depends in part on the financial condition of the tenants occupying the properties that the Company has financed. The value of the Company's investment portfolio, including its portfolio of government debt obligations, debt obligations of those entities with an express or implied governmental guarantee and debt obligations of other issuers holding a large amount of such obligations, depends in part on the ability of the issuers or guarantors of such debt to maintain their credit ratings and meet their contractual obligations. Factors that may affect the overall default rate on, and market value of, the Company's invested assets, derivative financial instruments, and mortgage loans include interest rate levels, financial market performance, and general economic conditions as well as particular circumstances affecting the individual tenants, borrowers, issuers and guarantors.

Significant continued financial and credit market volatility, changes in interest rates and credit spreads, credit defaults, real estate values, market illiquidity, declines in equity prices, acts of corporate malfeasance, ratings downgrades of the issuers or guarantors of these investments, and declines in general economic conditions, either alone or in combination, could have a material adverse impact on the Company's results of operations, financial condition, or cash flows through realized losses, impairments, changes in unrealized loss positions, and increased demands on capital, including obligations to post additional capital and collateral. In addition, market volatility can make it difficult for the Company to value certain of its assets, especially if trading becomes less frequent. Valuations may include assumptions or estimates that may have significant period-to-period changes that could have an adverse impact on the Company's results of operations or financial condition.

Equity market volatility could negatively impact the Company's business.

Volatility in equity markets may discourage prospective purchasers of variable separate account products, such as variable annuities, that have returns linked to the performance of equity markets and may cause some existing customers to withdraw cash values or reduce investments in those products. The amount of policy fees received from variable products is affected by the performance of the equity markets, increasing or decreasing as markets rise or fall.

Equity market volatility can also affect the profitability of variable products in other ways, in particular as a result of death benefit and withdrawal benefit guarantees in these products. The estimated cost of providing guaranteed minimum death benefits ("GMDB") and guaranteed minimum withdrawal benefits ("GMWB") incorporates various assumptions about the overall performance of equity markets over certain time periods. Periods of significant and sustained downturns in equity markets or increased equity market volatility could result in an increase in the valuation of the future policy benefit or policyholder account balance liabilities associated with such products, resulting in a reduction to net income and an adverse impact to the statutory capital and risk-based capital ratios of the Company's insurance subsidiaries.

The amortization of DAC relating to variable products and the estimated cost of providing GMDB and GMWB incorporate various assumptions about the overall performance of equity markets over certain time periods. The rate of amortization of DAC and the cost of providing GMDB and GMWB could increase if equity market performance is worse than assumed.

The Company's use of derivative financial instruments within its risk management strategy may not be effective or sufficient.

The Company uses derivative financial instruments within its risk management strategy to mitigate risks to which it is exposed, including the adverse effects of domestic and/or international credit and/or equity market and/or interest rate levels or volatility on its fixed indexed annuity and variable annuity products with guaranteed benefit features. These derivative financial instruments may not effectively offset the changes in the carrying value of the guarantees due to, among other things, the time lag between changes in the value of such guarantees and the changes in the value of the derivative financial instruments purchased by the Company, extreme credit and/or equity market and/or interest rate levels or volatility, contract holder behavior that differs from the Company's expectations, and divergence between the performance of the underlying funds of such variable annuity products with guaranteed benefit features and the indices utilized by the Company in estimating its exposure to such guarantees.

The Company may also use derivative financial instruments within its risk management strategy to mitigate risks arising from its exposure to individual issuers or sectors of issuers and to mitigate the adverse effects of distressed domestic and/or international credit and/or equity markets and/or interest rate levels or volatility on its overall financial condition or results of operations.

The use of derivative financial instruments by the Company may have an adverse impact on the level of statutory capital and the risk based capital ratios of the Company's insurance subsidiaries. The Company employs strategies in the use of derivative financial instruments that are intended to mitigate such adverse impacts, but the Company's strategies may not be effective.

The Company may also choose not to hedge, in whole or in part, these or other risks that it has identified, due to, for example, the availability and/or cost of a suitable derivative financial instrument or, in reaction to extreme credit, equity market and/or interest rate levels or volatility. Additionally, the Company's estimates and assumptions made in connection with its use of any derivative financial instrument may fail to reflect or correspond to its actual long-term exposure in respect to identified risks. Derivative financial instruments held or purchased by the Company may also otherwise be insufficient to hedge the risks in relation to the Company's obligations. In addition, the Company may fail to identify risks, or the magnitude thereof, to which it is exposed. The Company is also exposed to the risk that its use of derivative financial instruments within its risk management strategy may not be properly designed and/or may not be properly implemented as designed.

The Company is also subject to the risk that its derivative counterparties or clearinghouse may fail or refuse to meet their obligations to the Company under derivative financial instruments. If the Company's derivative counterparties or clearinghouse fail or refuse to meet their obligations to the Company in this regard, the Company's efforts to mitigate risks to which it is subject through the use of such derivative financial instruments may prove to be ineffective or inefficient.

The above factors, either alone or in combination, may have a material adverse effect on the Company's financial condition and results of operations.

Credit market volatility or disruption could adversely impact the Company's financial condition or results from operations.

Significant volatility or disruption in credit markets could have an adverse impact in several ways on either the Company's financial condition or results from operations. Changes in interest rates and credit spreads could cause market price and cash flow variability in the fixed income instruments in the Company's investment portfolio. Significant volatility and lack of liquidity in the credit markets could cause issuers of the fixed-income securities in the Company's investment portfolio to default on either principal or interest payments on these securities. Additionally, market price valuations may not accurately reflect the underlying expected cash flows of securities within the Company's investment portfolio.

The Company's statutory surplus is also impacted by widening credit spreads as a result of the accounting for the assets and liabilities on its fixed market value adjusted ("MVA") annuities. Statutory separate account assets supporting the fixed MVA annuities are recorded at fair value. In determining the statutory reserve for the fixed MVA annuities, the Company is required to use current crediting rates based on U.S. Treasuries. In many capital market scenarios, current crediting rates based on U.S. Treasuries are highly correlated with market rates implicit in the fair value of statutory separate account assets. As a result, the change in the statutory reserve from period to period will likely substantially offset the change in the fair value of the statutory separate account assets. However, in periods of volatile credit markets, actual credit spreads on investment assets may increase sharply for certain sub-sectors of the overall credit market, resulting in statutory separate account asset market value losses. Credit spreads are not consistently fully reflected in crediting rates based on U.S. Treasuries, and the calculation of statutory reserves will not substantially offset the change in fair value of the statutory separate account assets resulting in reductions in statutory surplus. This situation would result in the need to devote significant additional capital to support fixed MVA annuity products.

Volatility or disruption in the credit markets could also impact the Company's ability to efficiently access financial solutions for purposes of issuing long-term debt for financing purposes, its ability to obtain financial solutions for purposes of supporting certain traditional and universal life insurance products for capital management purposes, or result in an increase in the cost of existing securitization structures.

The ability of the Company to implement financing solutions designed to fund a portion of statutory reserves on both the traditional and universal life blocks of business is dependent upon factors such as the ratings of the Company, the size of the blocks of business affected, the mortality experience of the Company, the credit markets, and other factors. The Company cannot predict the continued availability of such solutions or the form that the market may dictate. To the extent that such financing solutions were desired but are not available, the Company's financial position could be adversely affected through impacts including, but not limited to, higher borrowing costs, surplus strain, lower sales capacity, and possible reduced earnings expectations.

The Company's ability to grow depends in large part upon the continued availability of capital.

The Company deploys significant amounts of capital to support its sales and acquisitions efforts. Although the Company believes it has sufficient capital to fund its immediate capital needs, the amount of capital available can vary significantly from period to period due to a variety of circumstances, some of which are not predictable, foreseeable, or within the Company's control. A lack of sufficient capital could have a material adverse impact on the Company's financial condition and results of operations.

A ratings downgrade or other negative action by a ratings organization could adversely affect the Company.

Various Nationally Recognized Statistical Rating Organizations ("rating organizations") review the financial performance and condition of insurers, including the Company's insurance subsidiaries, and publish their financial strength ratings as indicators of an insurer's ability to meet policyholder and contract holder obligations. While financial strength ratings are not a recommendation to buy the Company's securities or products, these ratings are important to maintaining public confidence in the Company, its products, its ability to market its products, and its competitive position. A downgrade or other negative action by a ratings organization with respect to the financial strength ratings of the Company's insurance subsidiaries could adversely affect the Company in many ways, including the following: reducing new sales of insurance and investment products; adversely affecting relationships with distributors and sales agents; increasing the number or amount of policy surrenders and withdrawals of funds; requiring a reduction in prices for the Company's insurance products and services in order to remain competitive; and adversely affecting the Company's ability to obtain reinsurance at a reasonable price, on reasonable terms or at all. A downgrade of sufficient magnitude could result in the Company, its insurance subsidiaries, or both being required to collateralize reserves, balances or obligations under reinsurance, funding, swap, and securitization agreements. A downgrade of sufficient magnitude could also result in the termination of certain funding and swap agreements.

Rating organizations also publish credit ratings for issuers of debt securities, including the Company. Credit ratings are indicators of a debt issuer's ability to meet the terms of debt obligations in a timely manner. These ratings are important to the Company's overall ability to access credit markets and other types of liquidity. Credit ratings are not recommendations to buy the Company's securities or products. Downgrades of the Company's credit ratings, or an announced potential downgrade or other negative action, could have a material adverse effect on the Company's financial conditions and results of operations in many ways, including, but not limited to, the following: limiting the Company's access to capital markets; increasing the cost of debt; impairing its ability to raise capital to refinance maturing debt obligations; limiting its capacity to support the growth of its insurance subsidiaries; requiring it to pay higher amounts in connection with certain existing or future financing arrangements or transactions; and making it more difficult to maintain or improve the current financial strength ratings of its insurance subsidiaries. A downgrade of sufficient magnitude, in combination with other factors, could require the Company to post collateral pursuant to certain contractual obligations.

Rating organizations assign ratings based upon several factors. While most of the factors relate to the rated company, some of the factors relate to the views of the rating organization, general economic conditions, and circumstances outside the rated company's control. Factors identified by rating agencies that could lead to negative rating actions with respect to the Company or its insurance subsidiaries include, but are not limited to, weak growth in earnings, a deterioration of earnings (including deterioration due to spread compression in interest-sensitive lines of business), significant impairments in investment portfolios, heightened financial leverage, lower interest coverage ratios, risk-based capital ratios falling below ratings thresholds, a material reinsurance loss, and underperformance of an acquisition. In addition, rating organizations use various models and formulas to assess the strength of a rated company, and from time to time rating organizations have, in their discretion, altered the models. Changes to the models could impact the rating organizations' judgment of the rating to be assigned to the rated company. The Company cannot predict what actions the rating organizations may take, or what actions the Company may take in response to the actions of the rating organizations, which could adversely affect the Company.

The Company could be forced to sell investments at a loss to cover policyholder withdrawals.

Many of the products offered by the Company allow policyholders and contract holders to withdraw their funds under defined circumstances. The Company manages its liabilities and configures its investment portfolios so as to provide and maintain sufficient liquidity to support expected withdrawal demands and contract benefits and maturities. While the Company owns a significant amount of liquid assets, a certain portion of its assets are relatively illiquid. If the Company experiences unexpected withdrawal or surrender activity, it could exhaust its liquid assets and be forced to liquidate other assets, perhaps at a loss or on other unfavorable terms. If the Company is forced to dispose of assets at a loss or on unfavorable terms, it could have an adverse effect on the Company's financial condition. The degree of the adverse effect could vary in relation to the magnitude of the unexpected surrender or withdrawal activity.

Disruption of the capital and credit markets could negatively affect the Company's ability to meet its liquidity and financing needs.

The Company needs liquidity to meet its obligations to its policyholders and its debt holders, and to pay its operating expenses. The Company's sources of liquidity include insurance premiums, annuity considerations, deposit funds, cash flow from investments and assets, and other income from its operations. In normal credit and capital market conditions, the Company's sources of liquidity also include a variety of short and long-term borrowing arrangements, including issuing debt securities, as well as raising capital by issuing a variety of equity securities.

The Company's business is dependent on the capital and credit markets, including confidence in such markets. When the credit and capital markets are disrupted and confidence is eroded the Company may not be able to borrow or raise equity capital, or the cost of borrowing or raising equity capital may be prohibitively high. If the Company's internal sources of liquidity are inadequate during such periods, the Company could suffer negative effects from not being able to borrow or raise capital, or from having to do so on unfavorable terms. The negative effects could include being forced to sell assets at a loss, a lowering of the Company's credit ratings and the financial strength ratings of its insurance subsidiaries, and the possibility that customers, lenders, shareholders, ratings agencies, or regulators develop a negative perception of the Company's financial prospects, which could lead to further adverse effects on the Company.

Difficult general economic conditions could materially adversely affect the Company's business and results of operations.

The Company's business and results of operations could be materially affected by difficult general economic conditions. Stressed economic conditions and volatility and disruptions in capital markets, particular markets or financial asset classes can have an adverse effect on the Company due to the size of the Company's investment portfolio and the sensitive nature of insurance liabilities to changing market factors. Disruptions in one market or asset class can also spread to other markets or asset classes. Volatility in financial markets can also affect the Company's business by adversely impacting general levels of economic activity, employment and customer behavior.

Like other financial institutions, and particularly life insurers, the Company may be adversely affected by these conditions. The presence of these conditions could have an adverse impact on the Company by, among other things, exerting downward pressure on the price of the Company's stock, decreasing demand for its insurance and investment products, and increasing the level of lapses and surrenders of its policies. The Company and its subsidiaries could also experience additional ratings downgrades from ratings agencies, unrealized losses, significant realized losses, impairments in its investment portfolio, and charges incurred as a result of mark-to-market and fair value accounting principles. If general economic conditions become more difficult, the Company's ability to access sources of capital and liquidity may be limited.

Economic trends may worsen in 2014, thus contributing to increased volatility and diminished expectations for the economy, markets, and financial asset classes. The Company cannot predict the occurrence of economic trends or the likelihood or timing of improvement in such trends.

The Company may be required to establish a valuation allowance against its deferred tax assets, which could materially adversely affect the Company's results of operations, financial condition, and capital position.

Deferred tax assets refer to assets that are attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets in essence represent future savings of taxes that would otherwise be paid in cash. The realization of the deferred tax assets is dependent upon the generation of sufficient future taxable income, including capital gains. If it is determined that the deferred tax assets cannot be realized, a deferred tax valuation allowance must be established, with a corresponding charge to net income.

Based on the Company's current assessment of future taxable income, including available tax planning opportunities, the Company anticipates that it is more likely than not that it will generate sufficient taxable income to realize its material deferred tax assets. If future events differ from the Company's current forecasts, a valuation allowance may need to be established, which could have a material adverse effect on the Company's results of operations, financial condition, and capital position.

The Company could be adversely affected by an inability to access its credit facility.

The Company relies on its credit facility as a potential source of liquidity. The availability of these funds could be critical to the Company's credit and financial strength ratings and its ability to meet obligations, particularly when alternative sources of credit are either difficult to access or costly. The availability of the Company's credit facility is dependent in part on the ability of the lenders to provide funds under the facility. The Company's credit facility contains various affirmative and negative covenants and events of default, including covenants requiring the Company to maintain a specified minimum consolidated net worth. The Company's right to make borrowings under the facility is subject to the fulfillment of certain conditions, including its compliance with all covenants. The Company's failure to comply with the covenants in the credit facility could restrict its ability to access this credit facility when needed. The Company's inability to access some or all of the line of credit under the credit facility could have a material adverse effect on its financial condition and results of operations.

The Company could be adversely affected by an inability to access FHLB lending.

During the fourth quarter of 2010, the Federal Housing Finance Agency ("FHFA") issued an Announced Notice of Proposed Rulemaking ("ANPR"). The purpose of the ANPR is to seek comment on several possible changes to the requirements applicable to members of the Federal Home Loan Bank ("FHLB"). Any changes to such requirements that eliminate the Company's eligibility for continued FHLB membership or limit the Company's borrowing capacity pursuant to its FHLB membership could have a material adverse effect on the Company. The Company can give no assurance as to the outcome of the ANPR. The FHFA also released an advisory bulletin on the particular risks associated with lending to insurance companies as opposed to federally-backed banks, which includes standards for evaluating FHLB's lending to an insurance company member. These standards are broad and raise concerns about the state regulatory framework and of FHLB creditor status in the event of insurer insolvency. In March 2013, the FHFA issued a report entitled "FHFA Can Enhance Its Oversight of FHLBank Advances to Insurance Companies by Improving Communication with State Insurance Regulators and Industry Groups," which proposes the FHFA coordinate with state regulators to obtain confidential supervisory information about insurers and interact with NAIC working groups to receive "early warning" information about failing members, so the FHFA can participate in the rehabilitation and perhaps increase FHLB creditor status. Any standards or events that result in stricter regulation of or a reduced incidence of FHLB-insurer lending could have a material adverse effect on the Company.

The Company's financial condition or results of operations could be adversely impacted if the Company's assumptions regarding the fair value and future performance of its investments differ from actual experience.

The Company makes assumptions regarding the fair value and expected future performance of its investments. Expectations that the Company's investments in mortgage-backed and asset-backed securities will continue to perform in accordance with their contractual terms are based on assumptions a market participant would use in determining the current fair value and consider the performance of the underlying assets. It is reasonably possible that the underlying collateral of these investments will perform worse than current market expectations and that such reduced performance may lead to adverse changes in the cash flows on the Company's holdings of these types of securities. This could lead to potential future write-downs within the Company's portfolio of mortgage-backed and asset-backed securities. In addition, expectations that the Company's investments in corporate securities and/or debt obligations will continue to perform in accordance with their contractual terms are based on evidence gathered through its normal credit surveillance process. It is possible that issuers of the Company's investments in corporate securities and/or debt obligations will perform worse than current expectations. Such events may lead the Company to recognize potential future write-downs within its portfolio of corporate securities and/or debt obligations. It is also possible that such unanticipated events would lead the Company to dispose of such investments and recognize the effects of any market movements in its financial statements.

The Company also makes certain assumptions when utilizing internal models to value certain of its investments. It is possible that actual results will differ from the Company's assumptions. Such events could result in a material change in the value of the Company's investments.

The amount of statutory capital that the Company has and the amount of statutory capital that it must hold to maintain its financial strength and credit ratings and meet other requirements can vary significantly from time to time and is sensitive to a number of factors outside of the Company's control.

The Company primarily conducts business through licensed insurance company subsidiaries. Insurance regulators have established regulations that provide minimum capitalization requirements based on risk-based capital ("RBC") formulas for life and property and casualty companies. The RBC formula for life insurance companies establishes capital requirements relating to insurance, business, asset, interest rate, and certain other risks.

In any particular year, statutory surplus amounts and RBC ratios may increase or decrease depending on a variety of factors including the following: the amount of statutory income or losses generated by the Company's insurance subsidiaries (which itself is sensitive to equity market and credit market conditions); the amount of additional capital its insurance subsidiaries must hold to support business growth; changes in the Company's reserve requirements; the Company's ability to secure capital market solutions to provide reserve relief; changes in equity market levels; the value of certain fixed-income and equity securities in its investment portfolio; the credit ratings of investments held in its portfolio, including those issued by, or explicitly or implicitly guaranteed by, a government; the value of certain derivative instruments; changes in interest rates and foreign currency exchange rates; credit market volatility; changes in consumer behavior; and changes to the NAIC RBC formula. Most of these factors are outside of the Company's control. The Company's financial strength and credit ratings are significantly influenced by the statutory surplus amounts and RBC ratios of its insurance company subsidiaries. Rating agencies may implement changes to their internal models that have the effect of increasing or decreasing the amount of statutory capital the Company must hold in order to maintain its current ratings. In addition, rating agencies may downgrade the investments held in the Company's portfolio, which could result in a reduction of the Company's capital and surplus and/or its RBC ratio.

In scenarios of equity market declines, the amount of additional statutory reserves the Company is required to hold for its variable product guarantees may increase at a rate greater than the rate of change of the markets. Increases in reserves could result in a reduction to the Company's capital, surplus, and/or RBC ratio. Also, in environments where there is not a correlative relationship between interest rates and spreads, the Company's market value adjusted annuity product can have a material adverse effect on the Company's statutory surplus position.

The Company operates as a holding company and depends on the ability of its subsidiaries to transfer funds to it to meet its obligations and pay dividends.

The Company operates as a holding company for its insurance and other subsidiaries and does not have any significant operations of its own. The Company's primary sources of funding are dividends from its operating subsidiaries; revenues from investment, data processing, legal, and management services rendered to subsidiaries; investment income; and external financing. These funding sources support the Company's general corporate needs including its common stock dividends and debt service. If the funding the Company receives from its subsidiaries is insufficient for it to fund its debt service and other holding company obligations, it may be required to raise funds through the incurrence of debt, the issuance of additional equity, or the sale of assets.

The states in which the Company's insurance subsidiaries are domiciled impose certain restrictions on the subsidiaries' ability to pay dividends and make other payments to the Company. State insurance regulators may prohibit the payment of dividends or other payments to the Company by its insurance subsidiaries if they determine that the payments could be adverse to the policyholders or contract holders of the insurance subsidiaries.

The business of the Company is highly regulated and is subject to routine audits, examinations and actions by regulators, law enforcement agencies and self-regulatory organizations.

The Company is subject to government regulation in each of the states in which it conducts business. In many instances, the regulatory models emanate from the National Association of Insurance Commissioners ("NAIC"). Such regulation is vested in state agencies having broad administrative and in some instances discretionary power dealing with many aspects of the Company's business, which may include, among other things, premium rates and increases thereto, underwriting practices, reserve requirements, marketing practices, advertising, privacy, policy forms, reinsurance reserve requirements, insurer use of captive reinsurance companies, acquisitions, mergers, capital adequacy, claims practices and the remittance of unclaimed property. In addition, some state insurance departments may enact rules or regulations with extra-territorial application, effectively extending their jurisdiction to areas such as permitted insurance company investments that are normally the province of an insurance company's domiciliary state regulator.

At any given time, a number of financial, market conduct, or other examinations or audits of the Company's subsidiaries may be ongoing. It is possible that any examination or audit may result in payments of fines and penalties, payments to customers, or both, as well as changes in systems or procedures, any of which could have a material adverse effect on the Company's financial condition or results of operations.

The Company's insurance subsidiaries are required to obtain state regulatory approval for rate increases for certain health insurance products. The Company's profits may be adversely affected if the requested rate increases are not approved in full by regulators in a timely fashion.

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, are often made for the benefit of the consumer and may lead to additional expense for the insurer and, thus, could have a material adverse effect on the Company's financial condition and results of operations. The NAIC may also be influenced by the initiatives and regulatory structures or schemes of international regulatory bodies, and those initiatives or regulatory structures or schemes may not translate readily into the regulatory structures or schemes or the legal system (including the interpretation or application of standards by juries) under which U.S. insurers must operate. In August 2013, the Financial Stability Board ("FSB") released a report encouraging the U.S. to move toward a federal regulatory system for insurance. The International Association of Insurance Supervisors ("IAIS") also announced an intention to develop a global capital standard for insurers. These are only a few examples of international developments impacting the global insurance market. At this time, FSB reports, IAIS Insurance Core

Principles, and other international work products are not directly binding on the U.S. or any U.S. insurer. However, there is increasing pressure to conform to international standards due to the globalization of the business of insurance and the recent financial crisis. Any international reports or mandates that directly impact, or indirectly influence, the nature of U.S. regulation or industry operations could impact the Company.

Although some NAIC pronouncements, particularly as they affect accounting and reserving issues, may take effect automatically without affirmative action taken by the states, the NAIC is not a governmental entity and its processes and procedures do not comport with those to which governmental entities typically adhere. Therefore, it is possible that actions could be taken by the NAIC that become effective without the procedural safeguards that would be present if governmental action was required. In addition, with respect to some financial regulations and guidelines, states sometimes defer to the interpretation of the insurance department of a non-domiciliary state. Neither the action of the domiciliary state nor the action of the NAIC is binding on a state. Accordingly, a state could choose to follow a different interpretation. The Company is also subject to the risk that compliance with any particular regulator's interpretation of a legal, accounting or actuarial issue may result in non-compliance with another regulator's interpretation of the same issue, particularly when compliance is judged in hindsight. There is an additional risk that any particular regulator's interpretation of a legal, accounting or actuarial issue may change over time to the Company's detriment, or that changes to the overall legal or market environment may cause the Company to change its practices in ways that may, in some cases, limit its growth or profitability. Statutes, regulations, and interpretations may be applied with retroactive impact, particularly in areas such as accounting and reserve requirements. Also, regulatory actions with prospective impact can potentially have a significant impact on currently sold products.

The NAIC has announced more focused inquiries on certain matters that could have an impact on the Company's financial condition and results of operations. Such inquiries concern, for example, examination of statutory accounting disclosures for separate accounts, insurer use of captive reinsurance companies, certain aspects of insurance holding company reporting and disclosure, reserving for universal life products with secondary guarantees, and reinsurance. In addition, the NAIC continues to consider various initiatives to change and modernize its financial and solvency requirements and regulations. It is considering changing to, or has considered and passed, a principles-based reserving method for life insurance and annuity reserves, changes to the accounting and risk-based capital regulations, changes to the governance practices of insurers, and other items. Some of these proposed changes, including implementing a principles-based reserving methodology, would require the approval of state legislatures. The Company cannot provide any estimate as to what impact these more focused inquiries or proposed changes, if they occur, will have on its product mix, product profitability, reserve and capital requirements, financial condition or results of operations.

With respect to reserving requirements for universal life policies with secondary guarantees ("ULSG"), in 2012 the NAIC adopted revisions to Actuarial Guideline XXXVIII ("AG38") addressing those requirements. Some of the regulatory participants in the AG38 revision process appeared to believe that one of the purposes of the revisions was to calculate reserves for ULSG similarly to reserves for guaranteed level term life insurance contracts with the same guarantee period. The effect of the revisions was to increase the level of reserves that must be held by insurers on ULSG with certain product designs that are issued on and after January 1, 2013, and to cause insurers to test the adequacy of reserves, and possibly increase the reserves, on ULSG with certain product designs that were issued before January 1, 2013. The increased reserves on ULSG issued on and after January 1, 2013 may make certain product designs, including some of those offered by the Company's subsidiaries before January 1, 2013, unprofitable to the Company if issued after 2012 unless prices are increased. The Company has developed and introduced a new ULSG product for sales in 2013. The Company cannot predict future regulatory actions that could negatively impact the Company's ability to market its new product. Such regulatory reactions could include, for example, withdrawal of state approvals of the new product, or adoption of further changes to AG38 or other adverse action including retroactive regulatory action that could negatively impact the Company's new product. A disruption of the Company's ability to sell financially viable life insurance products or an increase in reserves on ULSG policies issued either before or after January 1, 2013, could have a material adverse impact on the Company's financial condition or results of operations.

The Company currently uses, and currently expects to be able to continue using, affiliated captive reinsurance companies in various structures relating to term life insurance and universal life insurance with secondary guarantees, and certain guaranteed benefits relating to variable annuities. However, the NAIC has established a subgroup to study the use of captives and special purpose vehicles to transfer insurance risk in relation to existing state laws and regulations. That subgroup issued a Captives and Special Purpose Vehicles White Paper which was recently adopted by the NAIC Financial Condition ("E") Committee and Executive Committee/Plenary. The Financial Condition Committee also adopted an "interim solution for captives" in the form of a new charge for the Financial Analysis Working Group ("FAWG"). FAWG will now be reviewing captive transaction submitted by the states, in a peer review and comment process, while the remaining recommendations in the White Paper are divided among the NAIC Reinsurance ("E") Task Force and the Principles Based Reserving Implementation ("EX") Task Force. Also, the Federal Advisory Committee on Insurance ("FACI") took up the issue of captives at a recent meeting, and a task force was created. Any regulatory action that materially adversely affects the Company's use or materially increases the Company's cost of using affiliated captive reinsurers, either retroactively or prospectively, could have a material adverse impact on the Company's financial condition or results of operations. If the Company were required to discontinue its use of captives for intercompany reinsurance transactions on a retroactive basis, adverse impacts would include early termination fees payable with respect to certain structures, diminished capital position and higher cost of capital. Additionally, finding alternative means to support policy liabilities efficiently is an unknown factor that would be dependent, in part, on future market conditions and the Company's ability to obtain required regulatory approvals. On a prospective basis, discontinuation of the use of captives could impact the types, amounts and pricing of products offered by the Company's insurance subsidiaries.

Recently, new laws and regulations have been adopted in certain states that require life insurers to search for unreported deaths. The National Conference of Insurance Legislators ("NCOIL") has adopted the Model Unclaimed Life Insurance Benefits Act (the "Unclaimed Benefits Act") and legislation has been enacted in several states that is similar to the Unclaimed Benefits Act, although each state's version differs in some respects. The Unclaimed Benefits Act would impose new requirements on insurers to periodically compare their in-force life insurance and annuity contracts and retained asset accounts against a Death Database, investigate any potential matches to confirm the death and determine whether benefits are due, and to attempt to locate the beneficiaries of any benefits that are due or, if no beneficiary can be located, escheat the benefit to the state as unclaimed property. Other states in which the Company does business may also consider adopting legislation similar to the Unclaimed Benefits Act. The Company cannot predict whether such legislation will be proposed or enacted in additional states. Life insurance industry associations and regulatory associations are also considering these matters.

A number of state treasury departments and administrators of unclaimed property have audited life insurance companies for compliance with unclaimed property laws. The focus of the audits has been to determine whether there have been maturities of policies or contracts, or policies that have exceeded limiting age with respect to which death benefits or other payments under the policies should be treated as unclaimed property that should be escheated to the state. In addition, the audits have sought to identify unreported deaths of insureds. There is no clear basis in previously existing law for treating an unreported death as giving rise to a policy benefit that would be subject to unclaimed property procedures. A number of life insurers, however, have entered into resolution agreements with state treasury departments under which the life insurers agreed to procedures for comparing their previously issued life insurance and annuity contracts and retained asset accounts against a Death Database, treating confirmed deaths as giving rise to a death benefit under their policies, locating beneficiaries and paying them the benefits and interest, and escheating the benefits and interest to the state if the beneficiary could not be found. The amounts publicly reported to have been paid to beneficiaries and/or escheated to the states have been substantial.

The NAIC has established an Investigations of Life/Annuity Claims Settlement Practices (D) Task Force to coordinate targeted multi-state examinations of life insurance companies on claims settlement practices. The state insurance regulators on the Task Force have initiated targeted multi-state examinations of life insurance companies with respect to the companies' claims paying practices and use of a Death Database to identify unreported deaths in their life insurance policies, annuity contracts and retained asset accounts. There is no clear basis in previously existing law for requiring a life insurer to search for unreported deaths in order to determine whether a benefit is owed. A number of life insurers, however, have entered into settlement or consent agreements with state insurance regulators under which the life insurers agreed to implement systems and procedures for periodically comparing their life insurance and annuity contracts and retained asset accounts against a Death Database, treating confirmed deaths as giving rise to a death benefit under their policies, locating beneficiaries and paying them the benefits and interest, and escheating the benefits and interest to the state if the beneficiary could not be found. It has been publicly reported that the life insurers have paid substantial administrative and/or examination fees to the insurance regulators in connection with the settlement or consent agreements.

Certain of the Company's subsidiaries as well as certain other insurance companies from whom the Company has coinsured blocks of life insurance and annuity policies are subject to unclaimed property audits and/or targeted multistate examinations by insurance regulators similar to those described above. It is possible that the audits, examinations and/or the enactment of state laws similar to the Unclaimed Benefits Act could result in additional payments to beneficiaries, additional escheatment of funds deemed abandoned under state laws, payment of administrative penalties and/or examination fees to state authorities, and changes to the Company's procedures for identifying unreported deaths and escheatment of abandoned property. It is possible any such additional payments and any costs related to changes in Company procedures could materially impact the Company's financial results from operations. It is also possible that life insurers, including the Company, may be subject to claims, regulatory actions, law enforcement actions, and civil litigation arising from their prior business practices. Any resulting liabilities, payments or costs, including initial and ongoing costs of changes to the Company's procedures or systems, could be significant and could have a material adverse effect on the Company's financial condition or results of operations.

During December 2012, the West Virginia Treasurer filed actions against the Company's subsidiaries Protective Life Insurance Company and West Coast Life Insurance Company in West Virginia state court (*State of West Virginia ex rel. John D. Perdue vs. Protective Life Insurance Company; State of West Virginia ex rel. John D. Perdue vs. West CoastLife Insurance Company; Defendant's Motions to Dismiss granted on December 27, 2013; Notice of Appeal filed on January 27, 2014)*. The actions, which also name numerous other life insurance companies, allege that the companies violated the West Virginia Uniform Unclaimed Property Act, seek to compel compliance with the Act, and seek payment of unclaimed property, interest, and penalties. While the legal theory or theories that may give rise to liability in the West Virginia Treasurer litigation are uncertain, it is possible that other jurisdictions may pursue similar actions. The Company does not currently believe that losses, if any, arising from the West Virginia Treasurer litigation will be material. The Company cannot, however, predict whether other jurisdictions will pursue similar actions or, if they do, whether such actions will have a material impact on the Company's financial results from operations. Additionally, the California Controller has recently sued several insurance carriers for alleged failure to comply with audit requests from an appointed third party auditor. The Company cannot predict whether California might pursue a similar action against the Company and further cannot predict whether other jurisdictions might pursue similar actions. The Company does not believe however that any such action would have a material impact on the Company's financial condition or results of operations.

Under insurance guaranty fund laws in most states, insurance companies doing business therein can be assessed up to prescribed limits for policyholder losses incurred by insolvent companies. From time to time, companies may be asked to contribute amounts beyond prescribed limits. The Company cannot predict the amount or timing of any future assessments.

The purchase of life insurance products is limited by state insurable interest laws, which in most jurisdictions require that the purchaser of life insurance name a beneficiary that has some interest in the sustained life of the insured. To some extent, the insurable interest laws present a barrier to the life settlement, or "stranger-owned" industry, in which a financial entity acquires an interest in life insurance proceeds, and efforts have been made in some states to liberalize the insurable interest laws. To the extent these laws are relaxed, the Company's lapse assumptions may prove to be incorrect.

At the federal level, bills are routinely introduced in both chambers of the United States Congress ("Congress") that could affect life insurers. In the past, Congress has considered legislation that would impact insurance companies in numerous ways, such as providing for an optional federal charter or a federal presence for insurance, preempting state law in certain respects regarding the regulation of reinsurance, increasing federal oversight in areas such as consumer protection and other matters. The Company cannot predict whether or in what form legislation will be enacted and, if so, whether the enacted legislation will positively or negatively affect the Company or whether any effects will be material.

The Company is subject to various conditions and requirements of the Healthcare Act. The Healthcare Act makes significant changes to the regulation of health insurance and may affect the Company in various ways. The Healthcare Act may affect the small blocks of business the Company has offered or acquired over the years that are, or are deemed to constitute, health insurance. The Healthcare Act may also affect the benefit plans the Company sponsors for employees or retirees and their dependents, the Company's expense to provide such benefits, the tax liabilities of the Company in connection with the provision of such benefits, and the Company's ability to attract or retain employees. In addition, the Company may be subject to regulations, guidance or determinations emanating from the various regulatory authorities authorized under the Healthcare Act. The Company cannot predict the effect that the Healthcare Act, or any regulatory pronouncement made thereunder, will have on its results of operations or financial condition.

The Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") enacted in July 2010 made sweeping changes to the regulation of financial services entities, products and markets. Certain provisions of Dodd-Frank are or may become applicable to the Company, its competitors or those entities with which the Company does business. Such provisions include, but are not limited to the following: the establishment of the Federal Insurance Office, changes to the regulation and standards applicable to broker-dealers and investment advisors, changes to the regulation of reinsurance, changes to regulations affecting the rights of shareholders, and the imposition of additional regulation over credit rating agencies.

Dodd-Frank also created the Financial Stability Oversight Council (the "FSOC"), which has issued a final rule and interpretive guidance setting forth the methodology by which it will determine whether a non-bank financial company is a systemically important financial institution ("SIFI"). A non-bank financial company, such as the Company, that is designated as a SIFI by the FSOC will become subject to supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). The Company is not currently supervised by the Federal Reserve. Such supervision could impact the Company's requirements relating to capital, liquidity, stress testing, limits on counterparty credit exposure, compliance and governance, early remediation in the event of financial weakness and other prudential matters, and in other ways the Company currently cannot anticipate. FSOC-designated non-bank financial companies will also be required to prepare resolution plans, so-called "living wills," that set out how they could most efficiently be liquidated if they endangered the U.S. financial system or the broader economy. The FSOC has made its initial SIFI designations, and the Company was not designated as such. However, the Company could be considered and designated at any time. Because the process is in its initial stages, the

Company is at this time, unable to predict the impact on an entity that is supervised as a SIFI by the Federal Reserve Board. The Company is not able to predict whether the capital requirements or other requirements imposed on SIFIs may impact the requirements applicable to the Company even if it is not designated as a SIFI. The uncertainty about regulatory requirements could influence the Company's product line or other business decisions with respect to some product lines. There is a similarly uncertain international designation process. The Financial Stability Board, appointed by the G-20 Summit, recently designated nine insurers as "G-SII's," or globally systemic insurance institutions. As with the designation of SIFI's, it is unclear at this time whether additional capital and other requirements may be imposed and what the overall impact of G-SII designation on industry will be. The insurers designated as G-SIIs to date represent organizations larger than the Company, but the possibility remains that the Company could be so designated.

Additionally, Dodd-Frank created the Consumer Financial Protection Bureau ("CFPB"), an independent division of the Department of Treasury with jurisdiction over credit, savings, payment, and other consumer financial products and services, other than investment products already regulated by the United States Securities and Exchange Commission (the "SEC") or the U.S. Commodity Futures Trading Commission. CFPB has issued a rule to bring under its supervisory authority certain nonbanks whose activities or products it determines pose risks to consumers. It is unclear at this time which activities or products will be covered by this rule. Certain of the Company's subsidiaries sell products that may be regulated by the CFPB. CFPB continues to bring enforcement actions involving a growing number of issues, including actions using state Attorney's General, which could directly or indirectly affect the Company or use any of its subsidiaries. Additionally, the CFPB is exploring the possibility of helping Americans manage their retirement savings and is considering the extent of its authority in that area. The Company is unable at this time, to predict the impact of these activities on the Company.

Dodd-Frank includes a new framework of regulation of over-the-counter ("OTC") derivatives markets which requires clearing of certain types of transactions which have been or are currently traded OTC by the Company. The types of transactions to be cleared are expected to increase in the future. The new framework could potentially impose additional costs, including increased margin requirements and additional regulation on the Company. Increased margin requirements on the Company's part, combined with restrictions on securities that will qualify as eligible collateral, could continue to reduce its liquidity and require an increase in its holdings of cash and government securities with lower yields causing a reduction in income. The Company uses derivative financial instruments to mitigate a wide range of risks in connection with its businesses, including those arising from its variable annuity products with guaranteed benefit features. The derivative clearing requirements of Dodd-Frank could continue to increase the cost of the Company's risk mitigation and expose it to the risk of a default by a clearinghouse with respect to the Company's cleared derivative transactions.

Numerous provisions of Dodd-Frank require the adoption of implementing rules and/or regulations. The process of adopting such implementing rules and/or regulations have in some instances been delayed beyond the timeframes imposed by Dodd-Frank. Until the various final regulations are promulgated pursuant to Dodd-Frank, the full impact of the regulations on the Company will remain unclear. In addition, Dodd-Frank mandates multiple studies, which could result in additional legislation or regulation applicable to the insurance industry, the Company, its competitors or the entities with which the Company does business. Legislative or regulatory requirements imposed by or promulgated in connection with Dodd-Frank may impact the Company in many ways, including but not limited to the following: placing the Company at a competitive disadvantage relative to its competition or other financial services entities, changing the competitive landscape of the financial services sector and/or the insurance industry, making it more expensive for the Company to conduct its business, requiring the reallocation of significant company resources to government affairs, legal and compliance-related activities, causing historical market behavior or statistics utilized by the Company in connection with its efforts to manage risk and exposure to no longer be predictive of future risk and exposure or otherwise have a material adverse effect on the overall business climate as well as the Company's financial condition and results of operations.

The Company may be subject to regulation by the United States Department of Labor when providing a variety of products and services to employee benefit plans and individual investors that are governed by the Employee Retirement Income Security Act ("ERISA"). The Department of Labor is currently in the process of re-proposing a rule that would change the circumstances under which one who works with employee benefit plans and Individual Retirement Accounts would be considered a fiduciary under ERISA. Severe penalties are imposed for breach of duties under ERISA and the Company cannot predict the impact that the Department of Labor's re-proposed rule may have on its operations.

Certain life insurance policies, contracts, and annuities offered by the Company's subsidiaries are subject to regulation under the federal securities laws administered by the SEC. The federal securities laws contain regulatory restrictions and criminal, administrative, and private remedial provisions. From time to time, the SEC and the Financial Industry Regulatory Authority ("FINRA") examine or investigate the activities of broker-dealers and investment advisors, including the Company's affiliated broker-dealers and investment advisors. These examinations or investigations often focus on the activities of the registered representatives and registered investment advisors doing business through such entities and the entities' supervision of those persons. It is possible that any examination or investigation could lead to enforcement action by the regulator and/or may result in payments of fines and penalties, payments to customers, or both, as well as changes in systems or procedures of such entities, any of which could have a material adverse effect on the Company's financial condition or results of operations.

In addition, the SEC is reviewing the standard of conduct applicable to brokers, dealers, and investment advisers when those entities provide personalized investment advice about securities to retail customers. FINRA has also issued a report addressing how its member firms might identify and address conflicts of interest including conflicts related to the introduction of new products and services and the compensation of the member firms' associated persons. These regulatory initiatives could have an impact on Company operations and the manner in which broker-dealers and investment advisers distribute the Company's products.

In August 2013, the Financial Stability Board ("FSB") released a report encouraging the U.S. to move toward a federal regulatory system for insurance. The International Association of Insurance Supervisors ("IAIS") also announced an intention to develop a global capital standard for insurers. These are only a few examples of international developments impacting the global insurance market. At this time, FSB reports, IAIS Insurance Core Principles, and other international work products are not directly binding on the U.S. or any other U.S. insurer. However, there is increasing pressure to conform to international standards due to the globalization of the business of insurance and the recent financial crisis. Any international reports or mandates that directly impact, or indirectly influence, the nature of U.S. regulation or industry operations could impact the Company.

The Company may also be subject to regulation by governments of the countries in which it currently does, or may in the future, do, business, as well as regulation by the U.S. Government with respect to its operations in foreign countries, such as the Foreign Corrupt Practices Act. Penalties for violating the various laws governing the Company's business in other countries may include restrictions upon business operations, fines and imprisonment, both within the U.S. and abroad. U.S. enforcement of anti-corruption laws continues to increase in magnitude, and penalties may be substantial.

Other types of regulation that could affect the Company and its subsidiaries include insurance company investment laws and regulations, state statutory accounting and reserving practices, anti-trust laws, minimum solvency requirements, state securities laws, federal privacy laws, insurable interest laws, federal anti-money laundering and anti-terrorism laws, employment and immigration laws (including a law in Alabama where over half of the Company's employees are located), and because the Company owns and operates real property, state, federal, and local environmental laws. Under some circumstances, severe penalties may be imposed for breach of these laws.

The Company cannot predict what form any future changes to laws and/or regulations affecting participants in the financial services sector and/or insurance industry, including the Company and its competitors or those entities with which it does business, may take, or what effect, if any, such changes may have.

Changes to tax law or interpretations of existing tax law could adversely affect the Company and its ability to compete with non-insurance products or reduce the demand for certain insurance products.

Under the Internal Revenue Code of 1986, as amended (the "Code"), income taxes payable by policyholders on investment earnings is deferred during the accumulation period of most life insurance and annuity products. This favorable tax treatment provides some of the Company's products with a competitive advantage over products offered by non-insurance companies. To the extent that the Code is revised to either reduce the tax-deferred status of life insurance and annuity products, or to establish the tax-deferred status of new or competing products, then all life insurance companies, including the Company's subsidiaries, would be adversely affected with respect to their ability to sell such products. Furthermore, depending upon grandfathering provisions, such changes could cause increased surrenders of existing life insurance and annuity products. For example, new legislation that further restricts the deductibility of interest on funds borrowed to purchase corporate-owned life insurance products could result in increased surrenders of these products.

The Company is subject to the federal corporate income tax. Certain tax provisions, such as the dividends-received deduction, the deferral of current taxation on certain types of derivatives and securities, economic income, and the deduction for future policy benefits and claims, are beneficial to the Company. The Obama Administration and Congress have separately made proposals that either materially change or eliminate these benefits. Most of the foregoing proposals would cause the Company to pay higher current taxes, offset by a reduction in its deferred taxes. However, the proposal regarding the dividends-received deduction would cause the Company's net income and earnings per share to decrease. Whether these proposals will be enacted, and if so, whether they will be enacted as described above, is uncertain.

The Company's mid-2005 transition from relying on reinsurance for newly-written traditional life products to reinsuring some of these products' reserves into its captive insurance companies resulted in a net reduction in its current taxes, offset by an increase in its deferred taxes. The resulting benefit of reduced current taxes is attributed to the applicable life products and is an important component of the profitability of these products. The profitability and competitive position of these products is dependent on the continuation of current tax law and the ability to generate taxable income.

There is general uncertainty regarding the taxes to which the Company and its products will be subject in the future. The Company cannot predict what changes to tax law or interpretations of existing tax law may ultimately be enacted or adopted, or whether such changes will adversely affect the Company.

Financial services companies are frequently the targets of legal proceedings, including class action litigation, which could result in substantial judgments.

A number of judgments have been returned against insurers, broker-dealers, and other providers of financial services involving, among other things, sales, underwriting practices, product design, product disclosure, product administration, denial or delay of benefits, charging excessive or impermissible fees, recommending unsuitable products to customers, breaching fiduciary or other duties to customers, refund or claims practices, alleged agent misconduct, failure to properly supervise representatives, relationships with agents or other persons with whom the company does business, payment of sales or other contingent commissions, and other matters. Often these legal proceedings have resulted in the award of substantial judgments that are disproportionate to the actual damages, including material amounts of punitive non-economic compensatory damages. In some states, juries, judges, and arbitrators have substantial discretion in awarding punitive and non-economic compensatory damages, which creates the potential for unpredictable material adverse judgments or awards in any given legal proceeding. Arbitration awards are subject to very limited appellate review. In addition, in some legal proceedings, companies have made material settlement payments. In some instances, substantial judgments may be the result of a party's perceived ability to satisfy such judgments as opposed to the facts and circumstances regarding the claims.

Group health coverage issued through associations and credit insurance coverages have received some negative publicity in the media as well as increased regulatory consideration and review and litigation. The Company has a small closed block of group health insurance coverage that was issued to members of an association; a purported class action lawsuit is currently pending against the Company in connection with this business.

A number of lawsuits and investigations regarding the method of paying claims have been initiated against life insurers. The Company offers payment methods that may be similar to those that have been the subject of such lawsuits and investigations.

The Company, like other financial services companies in the ordinary course of business, is involved in legal proceedings and regulatory actions. The occurrence of such matters may become more frequent and/or severe when general economic conditions have deteriorated. The Company may be unable to predict the outcome of such matters and may be unable to provide a reasonable range of potential losses. Given the inherent difficulty in predicting the outcome of such matters, it is possible that an adverse outcome in certain such matters could be material to the Company's results for any particular reporting period.

Publicly held companies in general and the financial services industry in particular are sometimes the target of law enforcement investigations and the focus of increased regulatory scrutiny.

Publicly held companies in general and the financial services and insurance industries in particular are sometimes the target of law enforcement and regulatory investigations relating to the numerous laws and regulations that govern such companies. Some companies have been the subject of law enforcement or other actions resulting from such investigations. Resulting publicity about one company may generate inquiries into or litigation against other publicly held companies and/or financial service providers, even those who do not engage in the business lines or practices at issue in the original action. It is impossible to predict the outcome of such investigations or actions, whether they will expand into other areas not yet contemplated, whether they will result in changes in regulation, whether activities currently thought to be lawful will be characterized as unlawful, or the impact, if any, of such scrutiny on the financial services and insurance industry or the Company. From time to time, the Company receives subpoenas, requests, or other inquires and responds to them in the ordinary course of business.

New accounting rules, changes to existing accounting rules, or the grant of permitted accounting practices to competitors could negatively impact the Company.

Like all publicly traded companies, the Company is required to comply with accounting principles generally accepted in the United States ("GAAP"). A number of organizations are instrumental in the development and interpretation of GAAP such as the SEC, the Financial Accounting Standards Board ("FASB"), and the American Institute of Certified Public Accountants ("AICPA"). GAAP is subject to constant review by these organizations and others in an effort to address emerging accounting rules and issue interpretative accounting guidance on a continual basis. The Company can give no assurance that future changes to GAAP will not have a negative impact on the Company. GAAP includes the requirement to carry certain investments and insurance liabilities at fair value. These fair values are sensitive to various factors including, but not limited to, interest rate movements, credit spreads, and various other factors. Because of this, changes in these fair values may cause increased levels of volatility in the Company's financial statements.

The FASB is working on several projects in conjunction with the International Accounting Standards Board, which could result in significant changes as GAAP and International Financial Reporting Standards ("IFRS") attempt to converge. Furthermore, the SEC is considering whether and how to incorporate IFRS into the U.S. financial reporting system. The changes to GAAP and potential incorporation of IFRS into the U.S. financial reporting system will impose special demands on issuers in the areas of governance, employee training, internal controls, contract fulfillment and disclosure and will likely affect how we manage our business, as it will likely affect other business processes such as design of compensation plans, product design, etc. The Company is unable to predict whether, and if so, when these projects and ultimately convergence with IFRS will be adopted and/or implemented.

In addition, the Company's insurance subsidiaries are required to comply with statutory accounting principles ("SAP"). SAP and various components of SAP (such as actuarial reserving methodology) are subject to constant review by the NAIC and its task forces and committees as well as state insurance departments in an effort to address emerging issues and otherwise improve or alter financial reporting. Various proposals either are currently or have previously been pending before committees and task forces of the NAIC, some of which, if enacted, would negatively affect the Company. The NAIC is also currently working to reform model regulation in various areas, including comprehensive reforms relating to life insurance reserves and the accounting for such reserves. The Company cannot predict whether or in what form reforms will be enacted by state legislatures and, if so, whether the enacted reforms will positively or negatively affect the Company. In addition, the NAIC Accounting Practices and Procedures manual provides that state insurance departments may permit insurance companies domiciled therein to depart from SAP by granting them permitted accounting practices. The Company cannot predict whether or when the insurance departments of the states of domicile of its competitors may permit them to utilize advantageous accounting practices that depart from SAP, the use of which is not permitted by the insurance departments of the states of domicile of the Company's insurance subsidiaries. With respect to regulations and guidelines, states sometimes defer to the interpretation of the insurance department of the state of domicile. Neither the action of the domiciliary state nor action of the NAIC is binding on a state. Accordingly, a state could choose to follow a different interpretation. The Company can give no assurance that future changes to SAP or components of SAP or the grant of permitted accounting practices to its competitors will not have a negative impact on the Company. For additional information regarding pending NAIC reforms, please see Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

The use of reinsurance introduces variability in the Company's statements of income.

The timing of premium payments to and receipt of expense allowances from reinsurers differs from the Company's receipt of customer premium payments and incurrence of expenses. These timing differences introduce variability in certain components of the Company's statements of income and may also introduce variability in the Company's quarterly financial results.

The Company's reinsurers could fail to meet assumed obligations, increase rates, terminate agreements or be subject to adverse developments that could affect the Company.

The Company and its insurance subsidiaries cede material amounts of insurance and transfer related assets to other insurance companies through reinsurance. However, notwithstanding the transfer of related assets or other issues, the Company remains liable with respect to ceded insurance should any reinsurer fail to meet the assumed obligations. Therefore, the failure, insolvency, or inability or unwillingness to pay under the terms of the reinsurance agreement with the Company of one or more of the Company's reinsurers could negatively impact the Company's earnings and financial position.

The Company's results and its ability to compete are affected by the availability and cost of reinsurance. Premium rates charged by the Company are based, in part, on the assumption that reinsurance will be available at a certain cost. Under certain reinsurance agreements, a reinsurer may increase the rate it charges the Company for the reinsurance, including rates for new policies the Company is issuing and rates related to policies that the Company has already issued. The Company may not be able to increase the premium rates it charges for policies it has already issued, and for competitive reasons it may not be able to raise the premium rates it charges for new policies to offset the increase in rates charged by reinsurers. If the cost of reinsurance were to increase, if reinsurance were to become unavailable, if alternatives to reinsurance were not available to the Company, or if a reinsurer should fail to meet its obligations, the Company could be adversely affected.

In recent years, the number of life reinsurers has decreased as the reinsurance industry has consolidated. The decreased number of participants in the life reinsurance market results in increased concentration of risk for insurers, including the Company. If the reinsurance market further contracts, the Company's ability to continue to offer its products on terms favorable to it could be adversely impacted.

In addition, reinsurers are facing many challenges regarding illiquid credit and/or capital markets, investment downgrades, rating agency downgrades, deterioration of general economic conditions, and other factors negatively impacting the financial services industry. Concerns over the potential default on the sovereign debt of several European Union member states, and its impact on the European financial sector have increased liquidity concerns, particularly for those reinsurers with significant exposure to European capital and/or credit markets. If such events cause a reinsurer to fail to meet its obligations, the Company would be adversely impacted.

The Company has implemented a reinsurance program through the use of captive reinsurers. Under these arrangements, an insurer owned by the Company serves as the reinsurer, and the consolidated books and tax returns of the Company reflects a liability consisting of the full reserve amount attributable to the reinsured business. The success of the Company's captive reinsurance program is dependent on a number of factors outside the control of the Company, including continued access to financial solutions, a favorable regulatory environment, and the overall tax position of the Company. If the captive reinsurance program is not successful, the Company could be adversely impacted.

The Company's policy claims fluctuate from period to period resulting in earnings volatility.

The Company's results may fluctuate from period to period due to fluctuations in the amount of policy claims received. In addition, certain of the Company's lines of business may experience higher claims if the economy is growing slowly or in recession, or if equity markets decline. Also, insofar as the Company continues to retain a larger percentage of the risk of newly written life insurance products than it has in the past, its financial results may have greater variability due to fluctuations in mortality results.

The Company operates in a mature, highly competitive industry, which could limit its ability to gain or maintain its position in the industry and negatively affect profitability.

The insurance industry is a mature and highly competitive industry. In recent years, the industry has experienced reduced growth in life insurance sales. The Company encounters significant competition in all lines of business from other insurance companies, many of which have greater financial resources and higher ratings than the Company and which may have a greater market share, offer a broader range of products, services or features, assume a greater level of risk, have lower operating or financing costs, or have different profitability expectations than the Company. The Company also faces competition from other providers of financial services. Competition could result in, among other things, lower sales or higher lapses of existing products. Consolidation and expansion among banks, insurance companies, distributors, and other financial service companies with which the Company does business could also have an adverse effect on the Company's financial condition and results of operations if such companies require more favorable terms than previously offered to the Company or if such companies elect not to continue to do business with the Company following consolidation or expansion.

The Company's ability to compete is dependent upon, among other things, its ability to attract and retain distribution channels to market its insurance and investment products, its ability to develop competitive and profitable products, its ability to maintain low unit costs, and its maintenance of adequate ratings from rating agencies.

As technology evolves, comparison of a particular product of any company for a particular customer with competing products for that customer is more readily available, which could lead to increased competition as well as agent or customer behavior, including persistency that differs from past behavior.

The Company's ability to maintain competitive unit costs is dependent upon the level of new sales and persistency of existing business.

The Company's ability to maintain competitive unit costs is dependent upon a number of factors, such as the level of new sales, persistency of existing business, and expense management. A decrease in sales or persistency without a corresponding reduction in expenses may result in higher unit costs.

Additionally, a decrease in persistency of existing business may result in higher or more rapid amortization of deferred policy acquisition costs and thus higher unit costs and lower reported earnings. Although many of the Company's products contain surrender charges, the charges decrease over time and may not be sufficient to cover the unamortized deferred policy acquisition costs with respect to the insurance policy or annuity contract being surrendered. Some of the Company's products do not contain surrender charge features and such products can be surrendered or exchanged without penalty. A decrease in persistency may also result in higher claims.

The Company may not be able to protect its intellectual property and may be subject to infringement claims.

The Company relies on a combination of contractual rights and copyright, trademark, patent, and trade secret laws to establish and protect its intellectual property. Although the Company uses a broad range of measures to protect its intellectual property rights, third parties may infringe or misappropriate its intellectual property. The Company may have to litigate to enforce and protect its copyrights, trademarks, patents, trade secrets, and know-how or to determine their scope, validity, or enforceability, which represents a diversion of resources that may be significant in amount and may not prove successful. The loss of intellectual property protection or the inability to secure or enforce the protection of the Company's intellectual property assets could have a material adverse effect on its business and ability to compete.

The Company also may be subject to costly litigation in the event that another party alleges its operations or activities infringe upon that party's intellectual property rights. Third parties may have, or may eventually be issued, patents that could be infringed by the Company's products, methods, processes, or services. Any party that holds such a patent could make a claim of infringement against the Company. The Company may also be subject to claims by third parties for breach of copyright, trademark, trade secret, or license usage rights. Any such claims and any resulting litigation could result in significant liability for damages. If the Company were found to have infringed third party patent or other intellectual property rights, it could incur substantial liability, and in some circumstances could be enjoined from providing certain products or services to its customers or utilizing and benefiting from certain methods, processes, copyrights, trademarks, trade secrets, or licenses, or alternatively could be required to enter into costly licensing arrangements with third parties, all of which could have a material adverse effect on the Company's business, results of operations, and financial condition.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The Company's home office is located at 2801 Highway 280 South, Birmingham, Alabama. The Company owns two buildings consisting of 310,000 square feet constructed in two phases. The first building was constructed in 1974 and the second building was constructed in 1982. Additionally, the Company leases a third 310,000 square-foot building constructed in 2004. Parking is provided for approximately 2,594 vehicles.

The Company leases administrative and marketing office space in 19 cities, including 24,090 square feet in Birmingham (excluding the home office building), with most leases being for periods of three to ten years. The aggregate annualized rent is approximately $7.0 million.

The Company believes its properties are adequate and suitable for the Company's business as currently conducted and are adequately maintained. The above properties do not include properties the Company owns for investment only.

Item 3. Legal Proceedings

To the knowledge and in the opinion of management, there are no material pending legal proceedings, other than ordinary routine litigation incidental to the business of the Company, to which the Company or any of its subsidiaries is a party or of which any of our properties is the subject. For additional information regarding legal proceedings see Item 1A, *Risk Factors and Cautionary Factors that may Affect Future Results* and Note 12, *Commitments and Contingencies* of the Notes to the Consolidated Financial Statements, each included herein.

Item 4. Mine Safety Disclosure—Not Applicable

PART II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters and Issuer Purchases of Equity Securities

The Company's Common Stock is listed and principally traded on the New York Stock Exchange (NYSE symbol: PL). The following table sets forth the highest and lowest closing prices of the Company's Common Stock, $0.50 par value, as reported by the New York Stock Exchange during the periods indicated, along with the dividends paid per share of Common Stock during the same periods.

On December 31, 2013, there were approximately 1,153 owners of record of the Company's common stock.

The Company expects to continue to pay cash dividends, subject to its earnings and financial condition, regulatory requirements, capital needs, and other relevant factors. The Company's ability to pay cash dividends is dependent in part on cash dividends received by the Company from its life insurance subsidiaries and regulatory requirements. See Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, "Liquidity and Capital Resources" included herein. Such subsidiary dividends are restricted by the various insurance laws of the states in which the subsidiaries are domesticated. See Item 1, *Business*, "Regulation".

	Range		
	High	Low	Dividends
2013			
First Quarter	$ 35.86	$ 28.95	$ 0.180
Second Quarter	39.33	34.67	0.200
Third Quarter	45.05	38.78	0.200
Fourth Quarter	51.09	42.42	0.200
2012			
First Quarter	$ 30.25	$ 23.19	$ 0.160
Second Quarter	30.08	24.98	0.180
Third Quarter	30.04	26.10	0.180
Fourth Quarter	29.09	24.93	0.180

Purchases of Equity Securities by the Issuer

During the year ended December 31, 2013, the Company did not repurchase any of its common stock.

On October 31, 2011, the Company's Board of Directors authorized a new share repurchase program that replaced the remaining capacity under the previously authorized program. Under the October 2011 authorization, the Company may repurchase up to $300 million of shares. As of December 31, 2013, the approximate value of shares that may yet be purchased under this authorization was $169.7 million. This authorization expires on December 31, 2014.

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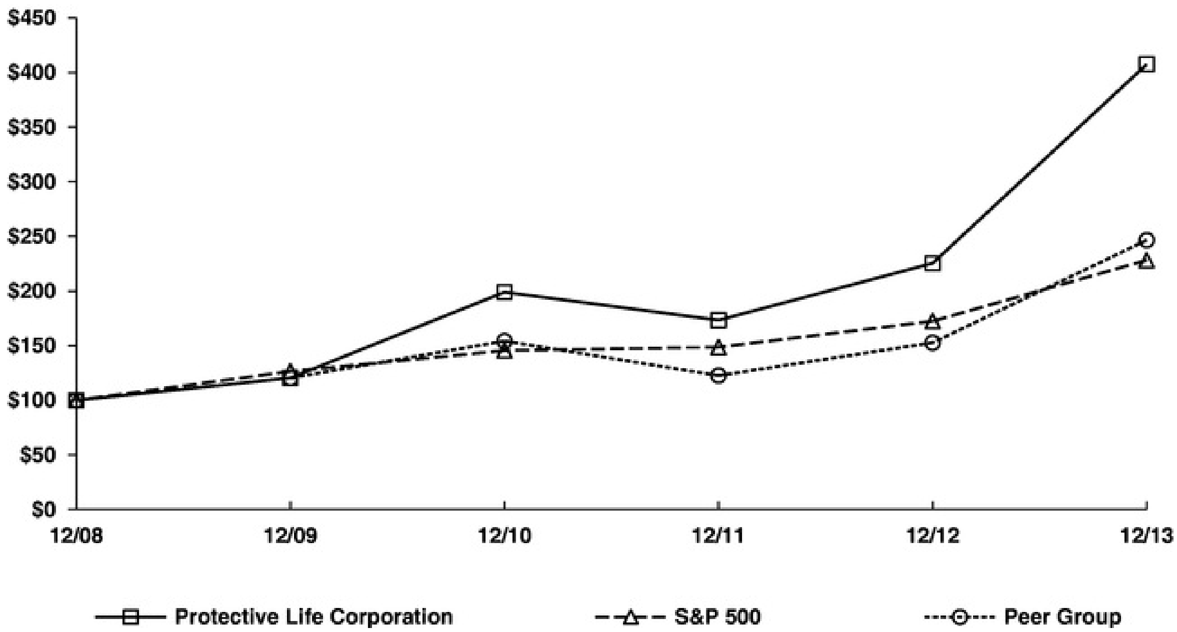
Performance Comparison

Comparison of 5 Year Cumulative Total Return*
Among Protective Life Corporation, the S&P 500 Index and a Peer Group



* $100 invested on 12/31/08 in stock or index, including reinvestment of dividends.

Fiscal year ending December 31.

	12/08	12/09	12/10	12/11	12/12	12/13
Protective Life Corporation	100.00	120.44	198.96	173.30	225.39	407.44
S&P 500	100.00	126.46	145.51	148.59	172.37	228.19
Peer Group	100.00	120.46	154.20	122.63	152.68	246.51

* $100 invested on 12/31/08 in stock or index, including reinvestment of dividends.

Fiscal year ending December 31.

Source: Research Data Group, Inc.

The graph shown above compares total returns on the Company's common stock over the last five fiscal years to the S&P 500 Stock Index ("S&P 500") and to a peer comparison group ("Peer Group"). The graph assumes that $100 was invested on December 31, 2008, and that all dividends were reinvested. Points on the graph represent performance as of the last business day of each of the years indicated.

The following companies are included in the Peer Group index. The index weighs individual company returns for stock market capitalization.

Aflac Incorporated	FBL Financial Group, Inc.	Principal Financial Group, Inc.
American Equity Investment Life	Genworth Financial, Inc.	Protective Life Corporation
American International Group, Inc.	Horace Mann Educators Corporation	Prudential Financial, Inc.
American National Insurance Company	Kansas City Life Insurance Company	Reinsurance Group of America, Inc.
Ameriprise Financial, Inc.	Lincoln National Corporation	StanCorp Financial Group, Inc.
Assurant, Inc.	MetLife, Inc.	Symetra Financial Corporation
Citizen, Inc.	National Western Life Insurance Company	Torchmark Corporation
CNO Financial Group, Inc.	Primerica Inc.	Unum Group

The composition of the Peer Group has changed from the group used in last year's performance graph. Presidential Life was acquired by Athene Holding Ltd. and removed from the New York Stock Exchange. Hartford Financial Services, Inc. has changed the composition of its product offerings and is no longer consistent with the makeup of our peer group. These companies have been removed from the Peer Group.

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Item 6. Selected Financial Data

	For The Year Ended December 31,				
	2013	2012	2011	2010	2009
	(Dollars In Thousands, Except Per Share Amounts)				
INCOME STATEMENT DATA					
Premiums and policy fees	$ 2,981,651	$ 2,814,278	$ 2,800,140	$ 2,625,394	$ 2,689,699
Reinsurance ceded	(1,377,195)	(1,345,836)	(1,394,675)	(1,408,340)	(1,527,053)
Net of reinsurance ceded	1,604,456	1,468,442	1,405,465	1,217,054	1,162,646
Net investment income	1,918,081	1,862,332	1,820,643	1,683,676	1,665,036
Realized investment gains (losses):					
Derivative financial instruments	188,131	(238,480)	(155,251)	(138,249)	(177,953)
All other investments	(123,537)	231,035	234,915	154,366	300,194
Other-than-temporary impairment losses	(10,941)	(66,188)	(62,332)	(75,341)	(227,770)
Portion recognized in other comprehensive income (before taxes)	(11,506)	7,302	14,890	33,831	47,725
Net impairment losses recognized in earnings	(22,447)	(58,886)	(47,442)	(41,510)	(180,045)
Other income	394,315	358,563	307,812	222,418	298,148
Total revenues	3,958,999	3,623,006	3,566,142	3,097,755	3,068,026
Total benefits and expenses	3,368,626	3,170,035	3,095,666	2,762,983	2,685,841
Income tax expense	196,909	150,519	154,839	109,903	133,048
Net income	393,464	302,452	315,637	224,869	249,137
Less: Net income (loss) attributable to noncontrolling interests	—	—	245	(445)	—
Net income available to PLC's common shareowners(1)	$ 393,464	$ 302,452	$ 315,392	$ 225,314	$ 249,137
PER SHARE DATA					
Net income from continuing operations—basic	$ 4.96	$ 3.73	$ 3.70	$ 2.60	$ 3.10
Net income available to PLC's common shareowners—basic	$ 4.96	$ 3.73	$ 3.70	$ 2.60	$ 3.10
Average shares					

	2013	2012	2011	2010	2009
outstanding—basic	79,395,622	81,066,338	85,208,612	86,567,069	80,488,694
Net income from continuing operations—diluted	$ 4.86	$ 3.66	$ 3.65	$ 2.57	$ 3.07
Net income available to PLC's common shareowners—diluted	$ 4.86	$ 3.66	$ 3.65	$ 2.57	$ 3.07
Average shares outstanding—diluted	80,925,713	82,723,016	86,475,229	87,675,857	81,249,265
Cash dividends paid	$ 0.78	$ 0.70	$ 0.62	$ 0.54	$ 0.48
Total Protective Life Corporation's Shareowners' Equity	$ 47.28	$ 59.06	$ 45.45	$ 33.17	$ 23.47

	As of December 31,				
	2013	2012	2011	2010	2009
	(Dollars In Thousands)				
BALANCE SHEET DATA					
Total assets	$68,784,107	$57,384,672	$52,143,369	$46,803,623	$41,583,551
Total stable value products and annuity account balances	13,684,805	13,169,022	13,716,358	13,667,838	13,492,190
Non-recourse funding obligations	562,448	586,000	407,800	532,400	575,000
Debt	1,585,000	1,400,000	1,520,000	1,501,852	1,644,852
Subordinated debt securities	540,593	540,593	524,743	524,743	524,743
Total Protective Life Corporation's shareowners' equity	3,714,794	4,615,183	3,711,517	2,841,188	2,008,929

(1) Protective Life Corporation ("PLC")

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with our consolidated audited financial statements and related notes included herein.

Certain reclassifications and revisions have been made in the previously reported financial statements and accompanying notes to make the prior period amounts comparable to those of the current period. Such reclassifications had no effect on previously reported net income or shareowners' equity.

FORWARD-LOOKING STATEMENTS—CAUTIONARY LANGUAGE

This report reviews our financial condition and results of operations including our liquidity and capital resources. Historical information is presented and discussed, and where appropriate, factors that may affect future financial performance are also identified and discussed. Certain statements made in this report include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include any statement that may predict, forecast, indicate, or imply future results, performance, or achievements instead of historical facts and may contain words like "believe," "expect," "estimate," "project," "budget," "forecast," "anticipate," "plan," "will," "shall," "may," and other words, phrases, or expressions with similar meaning. Forward-looking statements involve risks and uncertainties, which may cause actual results to differ materially from the results contained in the forward-looking statements, and we cannot give assurances that such statements will prove to be correct. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future developments or otherwise. For more information about the risks, uncertainties, and other factors that could affect our future results, please refer to Item 1A, *Risk Factors and Cautionary Factors that may Affect Future Results* included herein.

OVERVIEW

Our business

We are a holding company headquartered in Birmingham, Alabama, with subsidiaries that provide financial services primarily in the United States through the production, distribution, and administration of insurance and investment products. Founded in 1907, Protective Life Insurance Company ("PLICO") is our largest operating subsidiary. Unless the context otherwise requires, the "Company," "we," "us," or "our" refers to the consolidated group of Protective Life Corporation and our subsidiaries.

We have several operating segments, each having a strategic focus. An operating segment is distinguished by products, channels of distribution, and/or other strategic distinctions. We periodically evaluate our operating segments as prescribed in the Accounting Standards Codification ("ASC") Segment Reporting Topic, and make adjustments to our segment reporting as needed.

Our operating segments are Life Marketing, Acquisitions, Annuities, Stable Value Products, Asset Protection, and Corporate and Other.

- ***Life Marketing***—We market universal life ("UL"), variable universal life ("VUL"), bank-owned life insurance ("BOLI"), and level premium term insurance ("traditional") products on a national basis primarily through networks of independent insurance agents and brokers, stockbrokers, and independent marketing organizations.

- ***Acquisitions***—We focus on acquiring, converting, and servicing policies from other companies. The segment's primary focus is on life insurance policies and annuity products that were sold to individuals. The level of the segment's acquisition activity is predicated upon many factors, including available capital, operating capacity, potential return on capital, and market dynamics.

Policies acquired through the Acquisition segment are typically blocks of business where no new policies are being marketed. Therefore earnings and account values are expected to decline as the result of lapses, deaths, and other terminations of coverage unless new acquisitions are made.

- ***Annuities***—We market fixed and variable annuity ("VA") products. These products are primarily sold through broker-dealers, financial institutions, and independent agents and brokers.

- ***Stable Value Products***—We sell fixed and floating rate funding agreements directly to the trustees of municipal bond proceeds, money market funds, bank trust departments, and other institutional investors. The segment also issues funding agreements to the Federal Home Loan Bank ("FHLB"), and markets guaranteed investment contracts ("GICs") to 401(k) and other qualified retirement savings plans. Additionally, we have contracts outstanding pursuant to a funding agreement-backed notes program registered with the United States Securities and Exchange Commission (the "SEC") which offered notes to both institutional and retail investors.

- ***Asset Protection***—We market extended service contracts and credit life and disability insurance to protect consumers' investments in automobiles, watercraft, and recreational vehicles. In addition, the segment markets a guaranteed asset protection ("GAP") product. GAP coverage covers the difference between the loan pay-off amount and an asset's actual cash value in the case of a total loss.

- ***Corporate and Other***—This segment primarily consists of net investment income not assigned to the segments above (including the impact of carrying liquidity) and expenses not attributable to the segments above (including interest on certain corporate debt). This segment includes earnings from several non-strategic or runoff lines of business, various investment-related transactions, the operations of several small subsidiaries, and the repurchase of non-recourse funding obligations.

EXECUTIVE SUMMARY

We reported strong financial results in 2013. The following are notable accomplishments:

- Operating earnings per share reached a record level of $4.26, an increase of 13% over 2012

- Net income per share reached a record level of $4.86, an increase of 33% over 2012

- Closed the $1.1 billion MONY acquisition on October 1, 2013

- Dividends per share increased 11%

- Maintained a strong capital position

We believe that our differentiated and balanced business model, which combines the strength of our acquisition capabilities and our efficient retail business segments, helped us to produce these solid earnings results.

Significant financial information related to each of our segments is included in "Results of Operations".

RISKS AND UNCERTAINTIES

The factors which could affect our future results include, but are not limited to, general economic conditions and the following risks and uncertainties:

General

- exposure to the risks of natural and man-made disasters and catastrophes, pandemics, malicious acts, terrorist acts and climate change could adversely affect our operations and results;

- a disruption affecting the electronic systems of the Company or those on whom the Company relies could adversely affect our business, financial condition and results of operations;
- confidential information maintained in our systems could be compromised or misappropriated, damaging our business and reputation and adversely affecting our financial condition and results of operations;
- our results and financial condition may be negatively affected should actual experience differ from management's assumptions and estimates;
- we may not realize our anticipated financial results from our acquisitions strategy;
- we may not be able to achieve the expected results from our recent acquisition;
- assets allocated to the MONY Closed Block benefit only the holders of certain policies; adverse performance of Closed Block assets or adverse experience of Closed Block liabilities may negatively affect us;
- we are dependent on the performance of others;
- our risk management policies, practices, and procedures could leave us exposed to unidentified or unanticipated risks, which could negatively affect our business or result in losses;
- our strategies for mitigating risks arising from our day-to-day operations may prove ineffective resulting in a material adverse effect on our results of operations and financial condition;

Financial Environment

- interest rate fluctuations and sustained periods of low interest rates could negatively affect our interest earnings and spread income, or otherwise impact our business;
- our investments are subject to market and credit risks, which could be heightened during periods of extreme volatility or disruption in financial and credit markets;
- equity market volatility could negatively impact our business;
- our use of derivative financial instruments within our risk management strategy may not be effective or sufficient;
- credit market volatility or disruption could adversely impact our financial condition or results from operations;
- our ability to grow depends in large part upon the continued availability of capital;
- we could be adversely affected by a ratings downgrade or other negative action by a ratings organization;
- we could be forced to sell investments at a loss to cover policyholder withdrawals;
- disruption of the capital and credit markets could negatively affect our ability to meet our liquidity and financing needs;
- difficult general economic conditions could materially adversely affect our business and results of operations;
- we may be required to establish a valuation allowance against our deferred tax assets, which could materially adversely affect our results of operations, financial condition, and capital position;
- we could be adversely affected by an inability to access our credit facility;
- we could be adversely affected by an inability to access FHLB lending;
- our financial condition or results of operations could be adversely impacted if our assumptions regarding the fair value and future performance of our investments differ from actual experience;
- the amount of statutory capital that we have and the amount of statutory capital that we must hold to maintain our financial strength and credit ratings and meet other requirements can vary significantly from time to time and is sensitive to a number of factors outside of our control;
- we operate as a holding company and depend on the ability of our subsidiaries to transfer funds to us to meet our obligations and pay dividends;

Industry

- we are highly regulated, are subject to routine audits, examinations, and actions by regulators, law enforcement agencies, and self-regulatory agencies;
- changes to tax law or interpretations of existing tax law could adversely affect our ability to compete with non-insurance products or reduce the demand for certain insurance products;
- financial services companies are frequently the targets of legal proceedings, including class action litigation, which could result in substantial judgments;
- publicly held companies in general and the financial services industry in particular are sometimes the target of law enforcement investigations and the focus of increased regulatory scrutiny;
- new accounting rules, changes to existing accounting rules, or the grant of permitted accounting practices to competitors could negatively impact us;
- use of reinsurance introduces variability in our statements of income;
- our reinsurers could fail to meet assumed obligations, increase rates, terminate agreements, or be subject to adverse developments that could affect us;
- our policy claims fluctuate from period to period resulting in earnings volatility;

Competition

- we operate in a mature, highly competitive industry, which could limit our ability to gain or maintain our position in the industry and negatively affect profitability;
- our ability to maintain competitive unit costs is dependent upon the level of new sales and persistency of existing business; and
- we may not be able to protect our intellectual property and may be subject to infringement claims.

For more information about the risks, uncertainties, and other factors that could affect our future results, please see Part I, Item 1A of this report.

CRITICAL ACCOUNTING POLICIES

Our accounting policies require the use of judgments relating to a variety of assumptions and estimates, including, but not limited to expectations of current and future mortality, morbidity, persistency, expenses, and interest rates, as well as expectations around the valuations of investments, securities, and certain intangible assets. Because of the inherent uncertainty when using the assumptions and estimates, the effect of certain accounting policies under different conditions or assumptions could be materially different from those reported in the consolidated financial statements. A discussion of our various critical accounting policies is presented below.

Evaluation of Other-Than-Temporary Impairments—One of the significant estimates related to available-for-sale and held-to-maturity securitie is the evaluation of investments for other-than-temporary impairments. If a decline in the fair value of an available-for-sale or held-to-maturity security is judged to be other-than-temporary, the security's basis is adjusted and an other-than-temporary impairment is recognized through a charge in the statement of income. The portion of this other-than-temporary impairment related to credit losses on a security is recognized in earnings, while the non-credit portion, representing the difference between fair value and the discounted expected future cash flows of the security, is recognized within other comprehensive income (loss). The fair value of the other-than-temporarily impaired investment becomes its new cost basis. For fixed maturities, we accrete the new cost basis to par or to the estimated future value over the expected remaining life of the security by adjusting the security's future yields, assuming that future expected cash flows on the securities can be properly estimated.

Determining whether a decline in the current fair value of invested assets is other-than-temporary is both objective and subjective, and can involve a variety of assumptions and estimates, particularly for investments that are not actively traded in established markets. For example, assessing the value of certain investments requires that we perform an analysis of expected future cash flows including rates of prepayments. Other investments, such as collateralized mortgage or bond obligations, represent selected tranches of a structured transaction, supported in the aggregate by underlying investments in a wide variety of issuers. Management considers a number of factors when determining the impairment status of individual securities. These include the economic condition of various industry segments and geographic locations and other areas of identified risks. Although it is possible for the impairment of one investment to affect other investments, we engage in ongoing risk management to safeguard against and limit any further risk to our investment portfolio related concentrations or leveraged risk. Special attention is given to correlative risks within specific industries, related parties, and business markets.

For certain securitized financial assets with contractual cash flows, including other asset-backed securities, the ASC Investments-Other Topic requires us to periodically update our best estimate of cash flows over the life of the security. If the fair value of a securitized financial asset is less than its cost or amortized cost and there has been a decrease in the present value of the estimated cash flows since the last revised estimate, considering both timing and amount, an other-than-temporary impairment charge is recognized. Estimating future cash flows is a quantitative and qualitative process that incorporates information received from third party sources along with certain internal assumptions and judgments regarding the future performance of the underlying collateral. Projections of expected future cash flows may change based upon new information regarding the performance of the underlying collateral. In addition, we consider our intent and ability to retain a temporarily depressed security until recovery.

Each quarter we review investments with unrealized losses and test for other-than-temporary impairments. We analyze various factors to determine if any specific other-than-temporary asset impairments exist. These include, but are not limited to: 1) actions taken by rating agencies, 2) default by the issuer, 3) the significance of the decline, 4) an assessment of our intent to sell the security (including a more likely than not assessment of whether we will be required to sell the security) before recovering the security's amortized cost, 5) the duration of the decline, 6) an economic analysis of the issuer's industry, and 7) the financial strength, liquidity, and recoverability of the issuer. Management performs a security by security review each quarter in evaluating the need for any other-than-temporary impairments. Although no set formula is used in this process, the investment performance, collateral position, and continued viability of the issuer are significant measures considered, and in some cases, an analysis regarding our expectations for recovery of the security's entire amortized cost basis through the receipt of future cash flows is performed. Once a determination has been made that a specific other-than-temporary impairment exists, the security's basis is adjusted and an other-than-temporary impairment is recognized. Equity securities that are other-than temporarily impaired are written down to fair value with a realized loss recognized in earnings. Other-than-temporary impairments to debt securities that we do not intend to sell and do not expect to be required to sell before recovering the security's amortized cost are written down to discounted expected future cash flows ("post impairment cost") and credit losses are recorded in earnings. The difference between the securities' discounted expected future cash flows and the fair value of the securities on the impairment date is recognized in other comprehensive income (loss) as a non-credit portion impairment. When calculating the post impairment cost for residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS"), and other asset-backed securities (collectively referred to as asset-backed securities or "ABS"), we consider all known market data related to cash flows to estimate future cash flows. When calculating the post impairment cost for corporate debt securities, we consider all contractual cash flows to estimate expected future cash flows. To calculate the post impairment cost, the expected future cash flows are discounted at the original purchase yield. Debt securities that we intend to sell or expect to be required to sell before recovery are written down to fair value with the change recognized in earnings.

During the years ended December 31, 2013, 2012, and 2011, we recorded pre-tax other-than-temporary impairments of investments of $10.9 million, $66.2 million, and $62.3 million, respectively. Credit impairments recorded in earnings during the year ended December 31, 2013, were $22.4 million. During the year ended December 31, 2013, $11.5 million of non-credit losses previously recorded in other comprehensive income (loss) were recorded in earnings as credit losses. Of the $66.2 million of impairments for the year ended December 31, 2012, $58.9 million was recorded in earnings and $7.3 million was recorded in other comprehensive income. Of the $62.3 million of impairments for the year ended December 31, 2011, $47.4 million was recorded in earnings and $14.9 million was recorded in other comprehensive income.

For the years ended December 31, 2013, there were $3.3 million of other-than-temporary impairments related to equity securities. For the years ended December 31, 2012 and 2011, there were no other-than-temporary impairments related to equity securities. For the years ended December 31, 2013, 2012, and 2011, there were $7.6 million,$66.2 million, and $62.3 million of other-than-temporary impairments related to debt securities, respectively.

For the years ended December 31, 2013 and 2012, there were no other-than-temporary impairments related to debt securities or equity securities that we intend to sell or expect to be required to sell. For the year ended December 31, 2011, other-than-temporary impairments related to debt securities that we do not intend to sell and do not expect to be required to sell were $52.8 million, with $37.9 million of credit losses recorded on debt securities in earnings and $14.9 million of non-credit losses recorded in other comprehensive income. During the same period, other-than-temporary impairments related to debt securities that we intend to sell or expect to be required to sell were $9.5 million and were recorded in earnings.

Our specific accounting policies related to our invested assets are discussed in Note 2, *Summary of Significant Accounting Policies*, and Note 5, *Investment Operations*, to the consolidated financial statements. As of December 31, 2013, we held $32.0 billion of available-for-sale investments, including $10.9 billion in investments with a gross unrealized loss of $604.6 million, and $365.0 million of held-to-maturity investments, none of which were in an unrealized loss position.

Derivatives—We utilize a risk management strategy that incorporates the use of derivative financial instruments to reduce exposure to interest rate risk, inflation risk, currency exchange risk, volatility risk, foreign exchange, and equity market risk. Assessing the effectiveness of the hedging programs and evaluating the carrying values of the related derivatives often involve a variety of assumptions and estimates. Derivative financial instruments are valued using exchange prices, independent broker quotations, or pricing valuation models, which utilize market data inputs. The fair values of most of our derivatives are determined using exchange prices or independent broker quotes, but certain derivatives are valued based upon industry standard models which calculate the present-value of the projected cash flows of the derivatives using current and implied future market conditions. These models include market-observable estimates of volatility and interest rates in the determination of fair value. The use of different assumptions may have a material effect on the estimated fair value amounts, as well as the amount of reported net income. In addition, measurements of ineffectiveness of hedging relationships are subject to interpretations and estimations, and any differences may result in material changes to our results of operations. As of December 31, 2013, the fair value of derivatives reported on our balance sheet in "other long-term investments" and "other liabilities" was $307.6 million and $457.8 million, respectively.

Reinsurance—For each of our reinsurance contracts, we must determine if the contract provides indemnification against loss or liability relating to insurance risk, in accordance with applicable accounting standards. We must review all contractual features, particularly those that may limit the amount of insurance risk to which we are subject or features that delay the timely reimbursement of claims. If we determine that the possibility of a significant loss from insurance risk will occur only under remote circumstances, we record the contract under a deposit method of accounting with the net amount payable/receivable reflected in other reinsurance assets or liabilities on our consolidated balance sheets. Fees earned on the contracts are reflected as other revenues, as opposed to premiums, in our consolidated statements of income.

Our reinsurance is ceded to a diverse group of reinsurers. The collectability of reinsurance is largely a function of the solvency of the individual reinsurers. We perform periodic credit reviews on our reinsurers, focusing on, among other things, financial capacity, stability, trends, and commitment to the reinsurance business. We also require assets in trust, letters of credit, or other acceptable collateral to support balances due from reinsurers not authorized to transact business in the applicable jurisdictions. Despite these measures, a reinsurer's insolvency, inability, or unwillingness to make payments under the terms of a reinsurance contract could have a material adverse effect on our results of operations and financial condition. As of December 31, 2013, our third party reinsurance receivables amounted to $6.2 billion. These amounts include ceded reserve balances and ceded benefit payments.

We account for reinsurance as required by Financial Accounting Standards Board ("FASB") guidance under the ASC Financial Services Topic as applicable. In accordance with this guidance, costs for reinsurance are amortized as a level percentage of premiums for traditional life products and a level percentage of estimated gross profits for universal life products. Accordingly, ceded reserve and deferred acquisition cost balances are established using methodologies consistent with those used in establishing direct policyholder reserves and deferred acquisition costs. Establishing these balances requires the use of various assumptions including investment returns, mortality, persistency, and expenses. The assumptions made for establishing ceded reserves and ceded deferred acquisition costs are consistent with those used for establishing direct policyholder reserves and deferred acquisition costs.

Assumptions are also made regarding future reinsurance premium rates and allowance rates. Assumptions made for mortality, persistency, and expenses are consistent with those used for establishing direct policyholder reserves and deferred acquisition costs. Assumptions made for future reinsurance premium and allowance rates are consistent with rates provided for in our various reinsurance agreements. For certain of our reinsurance agreements, premium and allowance rates may be changed by reinsurers on a prospective basis, assuming certain contractual conditions are met (primarily that rates are changed for all companies with which the reinsurer has similar agreements). We do not anticipate any changes to these rates and, therefore, have assumed continuation of these non-guaranteed rates. To the extent that future rates are modified, these assumptions would be revised and both current and future results would be affected. For traditional life products, assumptions are not changed unless projected future revenues are expected to be less than future expenses. For universal life products, assumptions are periodically updated whenever actual experience and/or expectations for the future differ from that assumed. When assumptions are updated, changes are reflected in the income statement as part of an "unlocking" process. For the year ended December 31, 2013, we adjusted our estimates of future reinsurance costs in both the Acquisitions and Life Marketing segments, resulting in an unfavorable unlocking impact of $15.0 million.

Deferred Acquisition Costs and Value of Business Acquired—We incur significant costs in connection with acquiring new insurance business. Portions of these costs, which are determined to be incremental direct costs associated with successfully acquired policies and coinsurance of blocks of policies, are deferred and amortized over future periods. The recovery of such costs is dependent on the future profitability of the related policies. The amount of future profit is dependent principally on investment returns, mortality, morbidity, persistency, and expenses to administer the business and certain economic variables, such as inflation. These costs are amortized over the expected lives of the contracts, based on the level and timing of either gross profits or gross premiums, depending on the type of contract. Revisions to estimates result in changes to the amounts expensed in the reporting period in which the revisions are made and could result in the impairment of the asset and a charge to income if estimated future profits are less than the unamortized deferred amounts. As of December 31, 2013, we had deferred acquisition costs ("DAC")/value of business acquired ("VOBA") of $3.6 billion.

We periodically review and update as appropriate our key assumptions on certain life and annuity products including future mortality, expenses, lapses, premium persistency, investment yields, and interest spreads. Changes to these assumptions result in adjustments which increase or decrease DAC amortization and/or benefits and expenses. When we refer to DAC amortization or unlocking, we are referring to changes in balance sheet components amortized over estimated gross profits.

In conjunction with the acquisition of a block of insurance policies or investment contracts, a portion of the purchase price is allocated to the right to receive future gross profits from the acquired insurance policies or investment contracts. This intangible asset, called VOBA, represents the actuarially estimated present value of future cash flows from the acquired policies. The estimated present value of future cash flows is based on certain assumptions, including mortality, persistency, expenses, and interest rates that the Company expects to experience in future years. These assumptions are to be best estimates and are periodically updated whenever actual experience and/or expectations for the future change from that assumed. We amortize VOBA in proportion to gross premiums for traditional life products and in proportion to expected gross profits ("EGPs") for interest sensitive products, including accrued interest credited to account balances of up to approximately 8.75%. VOBA is subject to annual recoverability testing.

Goodwill—Accounting for goodwill requires an estimate of the future profitability of the associated lines of business to assess the recoverability of the capitalized acquisition goodwill. The Company evaluates the carrying value of goodwill at the segment (or reporting unit) level at least annually and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to: 1) a significant adverse change in legal factors or in business climate, 2) unanticipated competition, or 3) an adverse action or assessment by a regulator. When evaluating whether goodwill is impaired, the Company first determines through qualitative analysis whether relevant events and circumstances indicate that it is more likely than not that segment goodwill balances are impaired as of the testing date. If it is determined that it is more likely than not that impairment exists, the Company compares its estimate of the fair value of the reporting unit to which the goodwill is assigned to the reporting unit's carrying amount, including goodwill. The Company utilizes a fair value measurement (which includes a discounted cash flows analysis) to assess the carrying value of the reporting units in consideration of the recoverability of the goodwill balance assigned to each reporting unit as of the measurement date. The Company's material goodwill balances are attributable to certain of its operating segments (which are each considered to be reporting units). The cash flows used to determine the fair value of the Company's reporting units are dependent on a number of significant assumptions. The Company's estimates, which consider a market participant view of fair value, are subject to change given the inherent uncertainty in predicting future results and cash flows, which are impacted by such things as policyholder behavior, competitor pricing, capital limitations, new product introductions, and specific industry and market conditions. Additionally, the discount rate used is based on the Company's judgment of the appropriate rate for each reporting unit based on the relative risk associated with the projected cash flows. As of December 31, 2013, we performed our annual evaluation of goodwill and determined that no adjustment to impair goodwill was necessary. As of December 31, 2013, we had goodwill of $105.5 million.

Insurance Liabilities and Reserves—Establishing an adequate liability for our obligations to policyholders requires the use of assumptions. Estimating liabilities for future policy benefits on life and health insurance products requires the use of assumptions relative to future investment yields, mortality, morbidity, persistency, and other assumptions based on our historical experience, modified as necessary to reflect anticipated trends and to include provisions for possible adverse deviation. Determining liabilities for our property and casualty insurance products also requires the use of assumptions, including the frequency and severity of claims, and the effectiveness of internal processes designed to reduce the level of claims. Our results depend significantly upon the extent to which our actual claims experience is consistent with the assumptions we used in determining our reserves and pricing our products. Our reserve assumptions and estimates require significant judgment and, therefore, are inherently uncertain. We cannot determine with precision the ultimate amounts that we will pay for actual claims or the timing of those payments. In addition, we fair value the liability related to our equity indexed annuity product at each balance sheet date, with changes in the fair value recorded through earnings. Changes in this liability may be significantly affected by interest rate fluctuations. As of December 31, 2013, we had total policy liabilities and accruals of $31.3 billion.

Guaranteed Minimum Death Benefits—We establish liabilities for guaranteed minimum death benefits ("GMDB") on our VA products. Th methods used to estimate the liabilities employ assumptions about mortality and the performance of equity markets. We assume age-based mortality from the National Association of Insurance Commissioners 1994 Variable Annuity MGDB Mortality Table for company experience, with attained age factors varying from 49% - 80%. Future declines in the equity market would increase our GMDB liability. Differences between the actual experience and the assumptions used result in variances in profit and could result in losses. Our GMDB as of December 31, 2013, is subject to a dollar-for-dollar reduction upon withdrawal of related annuity deposits on contracts issued prior to January 1, 2003. As of December 31, 2013, the GMDB liability was $16.3 million.

Guaranteed Minimum Withdrawal Benefits—We establish reserves for guaranteed minimum withdrawal benefits ("GMWB") on our V products. The GMWB is carried at fair value and is impacted by current implied volatilities for the equity indices. The methods used to estimate the liabilities employ assumptions about mortality, lapses, policyholder behavior, equity market returns, interest rates, and market volatility. We assume age-based mortality from the National Association of Insurance Commissioners 1994 Variable Annuity MGDB Mortality Table for company experience, with attained age factors varying from 49% - 80%. Differences between the actual experience and the assumptions used result in variances in profit and could result in losses. Favorable market returns during the year have reduced the likelihood of claims and increased the amount of fees projected to be received. More favorable market conditions at year end 2013 also reduced projected claims. The increase in risk free interest rates has reduced the present value of both claims and fees, but since claims are generally expected later than the fees, the reduction of the present value of claims is greater than the reduction of the present value of fees. As a result of these and other factors, the aggregate GMWB reserve is in a net asset position. As of December 31, 2013, our net GMWB asset held was $156.3 million.

Pension and Other Postretirement Benefits—Determining our obligations to employees under our pension plans and other postretirement benef plans requires the use of assumptions. The calculation of the liability and expense related to our benefit plans incorporates the following significant assumptions:

- appropriate weighted average discount rate;
- estimated rate of increase in the compensation of employees;
- expected long-term rate of return on the plan's assets.

See Note 15, *Employee Benefit Plans*, to the consolidated financial statements for further information on this plan.

Stock-Based Payments—Accounting for stock-based compensation plans may require the use of option pricing models to estimate ou obligations. Assumptions used in such models relate to equity market movements and volatility, the risk-free interest rate at the date of grant, expected dividend rates, and expected exercise dates. See Note 14, *Stock-Based Compensation*, to the consolidated financial statements for further information.

Deferred Taxes and Uncertain Tax Positions—Deferred federal income taxes arise from the recognition of temporary differences between th basis of assets and liabilities determined for financial reporting purposes and the basis determined for income tax purposes. Such temporary differences are principally related to net unrealized gains (losses), deferred policy acquisition costs and value of business acquired, and future policy benefits and claims. Deferred tax assets and liabilities are measured using the enacted tax rates expected to be in effect when such differences reverse. We evaluate deferred tax assets for impairment quarterly at the taxpaying component level within each tax jurisdiction. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some or all of such assets will not be realized as future reductions of current taxes. In determining the need for a valuation allowance we consider the reversal of existing temporary differences, future taxable income, and tax planning strategies. The determination of any valuation allowance requires management to make certain judgments and assumptions regarding future operations that are based on our historical experience and our expectations of future performance.

The ASC Income Taxes Topic prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of an expected or actual uncertain income tax return position and provides guidance on disclosure. Additionally, in order for us to recognize any degree of benefit in our financial statements from such a position, there must be a greater than 50 percent chance of success with the relevant taxing authority with regard to that position. In making this analysis, we assume that the taxing authority is fully informed of all of the facts regarding any issue. Our judgments and assumptions regarding uncertain tax positions are subject to change over time due to the enactment of new legislation, the issuance of revised or new regulations or rulings by the various tax authorities, and the issuance of new decisions by the courts.

Contingent Liabilities—The assessment of potential obligations for tax, regulatory, and litigation matters inherently involves a variety of estimates of potential future outcomes. We make such estimates after consultation with our advisors and a review of available facts. However, there can be no assurance that future outcomes will not differ from management's assessments.

RESULTS OF OPERATIONS

We use the same accounting policies and procedures to measure segment operating income (loss) and assets as we use to measure consolidated net income available to PLC's common shareowners and assets. Segment operating income (loss) is income before income tax, excluding realized gains and losses on investments and derivatives, net of the amortization related to DAC, VOBA, and benefits and settlement expenses. Operating earnings exclude changes in the GMWB embedded derivatives (excluding the portion attributed to economic cost), realized and unrealized gains (losses) on derivatives used to hedge the VA product, actual GMWB incurred claims and the related amortization of DAC attributed to each of these items.

Segment operating income (loss) represents the basis on which the performance of our business is internally assessed by management. Premiums and policy fees, other income, benefits and settlement expenses, and amortization of DAC/VOBA are attributed directly to each operating segment. Net investment income is allocated based on directly related assets required for transacting the business of that segment. Realized investment gains (losses) and other operating expenses are allocated to the segments in a manner that most appropriately reflects the operations of that segment. During the year ended December 31, 2013, we began allocating realized gains and losses to certain of our segments to better reflect the economics of the investments supporting those segments. This change had no impact to segment operating income. Investments and other assets are allocated based on statutory policy liabilities net of associated statutory policy assets, while DAC/VOBA and goodwill are shown in the segments to which they are attributable.

However, segment operating income (loss) should not be viewed as a substitute for accounting principles generally accepted in the United States of America ("GAAP") net income available to PLC's common shareowners. In addition, our segment operating income (loss) measures may not be comparable to similarly titled measures reported by other companies.

We periodically review and update as appropriate our key assumptions on products using the ASC Financial Services-Insurance Topic, including future mortality, expenses, lapses, premium persistency, investment yields, interest spreads, and equity market returns. Changes to these assumptions result in adjustments which increase or decrease DAC/VOBA amortization and/or benefits and expenses. The periodic review and updating of assumptions is referred to as "unlocking". When referring to DAC/VOBA amortization or unlocking on products covered under the ASC Financial Services-Insurance Topic, the reference is to changes in all balance sheet components amortized over estimated gross profits.

The following table presents a summary of results and reconciles segment operating income (loss) to consolidated net income available to PLC's common shareowners:

	For The Year Ended December 31,			Change	
	2013	2012	2011	2013	2012
	(Dollars In Thousands)				
Segment Operating Income (Loss)					
Life Marketing	$ 110,298	$ 105,032	$ 96,123	5.0%	9.3%
Acquisitions	154,003	171,060	157,393	(10.0)	8.7
Annuities	184,130	119,092	80,224	54.6	48.4
Stable Value Products	80,561	60,329	56,780	33.5	6.3
Asset Protection	26,795	16,454	25,407	62.8	(35.2)
Corporate and Other	(40,562)	(3,203)	5,767	n/m	n/m
Total segment operating income	515,225	468,764	421,694	9.9	11.2
Realized investment gains (losses) —investments(1)	(172,720)	186,186	181,907		
Realized investment gains (losses) —derivatives	247,868	(201,979)	(133,370)		
Income tax expense	(196,909)	(150,519)	(154,839)		
Net income available to PLC's common shareowners	$ 393,464	$ 302,452	$ 315,392	30.1	(4.1)
Investment gains (losses)(2)	$ (145,984)	$ 172,149	$ 187,473		
Less: amortization related to DAC/VOBA and benefits and settlement expenses	26,736	(14,037)	5,566		
Realized investment gains (losses) —investments	$ (172,720)	$ 186,186	$ 181,907		
Derivative gains (losses)(3)	$ 188,131	$ (238,480)	$ (155,251)		

Less: VA GMWB economic cost	(59,737)	(36,501)	(21,881)
Realized investment gains (losses) —derivatives	$ 247,868	$ (201,979)	$ (133,370)

(1) Includes credit related other-than-temporary impairments of $22.4 million, $58.9 million, and $47.4 million for the years ended December 31, 2013, 2012, and 2011, respectively.

(2) Includes realized investment gains (losses) before related amortization.

(3) Includes realized gains (losses) on derivatives before the VA GMWB economic cost.

For The Year Ended December 31, 2013 as compared to The Year Ended December 31, 2012

Net income available to PLC's common shareowners for the year ended December 31, 2013, included a $46.5 million, or 9.9%, increase in segment operating income. The increase was primarily related to a $5.3 million increase in the Life Marketing segment, a $65.0 million increase in the Annuities segment, a $20.2 million increase in the Stable Value Products segment, and a $10.3 million increase in the Asset Protection segment. These increases were partially offset by a $17.1 million decrease in the Acquisitions segment and a $37.4 million decrease in the Corporate and Other segment.

We experienced net realized gains of $42.1 million for the year ended December 31, 2013, as compared to net realized losses of $66.3 million for the year ended December 31, 2012. The gains realized for the year ended December 31, 2013, were primarily related to $66.5 million of gains related to investment securities sale activity, $27.0 million of gains related to the net activity of the modified coinsurance portfolio, $3.0 million related to interest rate swaps, and net gains of $1.1 million of derivatives related to fixed indexed annuity ("FIA") contracts. Partially offsetting these gains were losses of $22.4 million for other-than-temporary impairment credit-related losses, net losses of $21.1 million of derivatives related to VA contracts, and $11.9 million of losses related to other investment and derivative activity.

- Life Marketing segment operating income was $110.3 million for the year ended December 31, 2013, representing an increase of $5.3 million, or 5.0%, from the year ended December 31, 2012. The increase was primarily due to higher premiums and policy fees, higher investment income due to growth of the block of business and favorable prospective unlocking. These increases were largely offset by less favorable traditional mortality and higher universal life claims due to growth in in-force and an increase in non-deferred expenses resulting from higher sales.

- Acquisitions segment operating income was $154.0 million for the year ended December 31, 2013, a decrease of $17.1 million, or 10.0%, as compared to the year ended December 31, 2012, primarily due to less favorable mortality, an unfavorable change in prospective unlocking, lower spread income, the impact of increased reinsurance, and the expected runoff of business, partly offset by the favorable impact of $25.2 million from the MONY acquisition in the fourth quarter of 2013.

- Annuities segment operating income was $184.1 million for the year ended December 31, 2013, as compared to $119.1 million for the year ended December 31, 2012, an increase of $65.0 million, or 54.6%. This variance included a favorable change due to higher net policy fees and other income of $55.0 million in the VA line associated with growth in account balances, lower benefits and settlement expenses, and a favorable change in unlocking. Partially offsetting these favorable changes was an unfavorable change of $17.5 million in the SPIA mortality results and an increase in non-deferred expenses.

- Stable Value Products operating income was $80.6 million and increased $20.2 million, or 33.5%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012. The increase in operating earnings resulted from an increase in participating mortgage income, higher operating spreads, and lower expenses offset by a decline in average account values. Participating mortgage income for the year ended December 31, 2013 was $12.1 million as compared to $5.5 million for the year ended December 31, 2012. The adjusted operating spread, which excludes participating income and other income, increased by 58 basis points for the year ended December 31, 2013 over the prior year.

- Asset Protection segment operating income was $26.8 million, representing an increase of $10.3 million, or 62.8%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012. Service contract earnings increased $5.5 million primarily due to $4.1 million of expense incurred in 2012 to write off previously capitalized costs associated with developing internal-use software. In addition, the line experienced higher volume and lower general expenses in 2013. Credit insurance earnings increased $4.0 million primarily due to $3.1 million in legal settlement and related costs incurred in 2012 and lower expenses in 2013. Earnings from the GAP product line increased $0.8 million primarily resulting from lower expenses, somewhat offset by higher losses.

- Corporate and Other segment operating loss was $40.6 million for the year ended December 31, 2013, as compared to an operating loss of $3.2 million for the year ended December 31, 2012. The decrease was primarily due to an $18.4 million unfavorable variance related to gains on the repurchase of non-recourse funding obligations. For the year ended December 31, 2013, $20.0 million of pre-tax gains were generated from the repurchase of non-recourse funding obligations compared to $38.4 million of pre-tax gains during 2012. In addition, the segment experienced a $2.8 million decrease related to a portfolio of securities designated for trading, a $4.0 million unfavorable variance related to income on called securities, lower core investment income, and higher other operating expenses. These decreases were partially offset by an

$11.2 million deferred issue cost write-off recorded during the twelve months ended December 31, 2012.

For The Year Ended December 31, 2012 as compared to The Year Ended December 31, 2011

Net income available to PLC's common shareowners for the year ended December 31, 2012, included a $47.1 million, or 11.2%, increase in segment operating income. The increase was primarily related to a $8.9 million increase in the Life Marketing segment, a $13.7 million increase in the Acquisitions segment, a $38.9 million increase in the Annuities segment, and a $3.5 million increase in the Stable Value Products segment. These increases were partially offset by a $9.0 million decrease in the Asset Protection segment and a $9.0 million decrease in the Corporate and Other segment.

We experienced net realized losses of $66.3 million for the year ended December 31, 2012, as compared to net realized gains of $32.2 million for the year ended December 31, 2011. The losses realized for the year ended December 31, 2012, were primarily related to $58.9 million for other-than-temporary impairment credit-related losses, a $2.8 million loss on interest rate caps and swaps, net losses of $102.8 million of derivatives related to variable annuity contracts, and a $14.7 million loss related to other investment and derivative activity. Partially offsetting these losses were $67.7 million of gains related to investment securities sale activity and $45.2 million of gains related to the net activity of the modified coinsurance portfolio.

- Life Marketing segment operating income was $105.0 million for the year ended December 31, 2012, representing an increase of $8.9 million, or 9.3%, from the year ended December 31, 2011. The increase was primarily due to higher investment income, more favorable traditional life claims, and a less unfavorable change in unlocking. These increases were partially offset by unfavorable universal life and BOLI claims, an increase in reserves resulting from changes in universal life interest rate assumptions, and higher operating expenses.

- Acquisitions segment operating income was $171.1 million for the year ended December 31, 2012, an increaseof $13.7 million, or 8.7%, as compared to the year ended December 31, 2011, primarily due to the Liberty Life Insurance Company ("Liberty Life") coinsurance transaction. The Liberty Life transaction added $50.2 million to segment operating income for the year ended December 31, 2012, an increase of $15.1 million as compared to the year ended December 31, 2011. The Liberty Life transaction was effective April 30, 2011, therefore, the 2012 results include twelve months of Liberty Life activity as compared to eight months included in the 2011 results. This was partly offset by the expected runoff in the older acquired blocks.

- Annuities segment operating income was $119.1 million for the year ended December 31, 2012, as compared to$80.2 million for the year ended December 31, 2011, an increase of $38.9 million. This variance included a favorable change of $41.2 million in operating revenue driven by higher policy fees and other income in the VA line and lower benefits and settlement expenses. Partially offsetting these favorable changes was an unfavorable change of $14.7 million in unlocking and an increase in DAC amortization and non-deferred expenses.

- Stable Value Products segment operating income was $60.3 million and increased $3.5 million, or 6.3%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011. The increase in operating earnings resulted from higher operating spreads and lower expenses offset by a decline in average account values. We also called certain retail notes, which accelerated DAC amortization of $3.4 million for the year ended December 31, 2011. We did not accelerateDAC amortization during the year ended December 31, 2012 as no contracts were called. The operating spread increased 17 basis points to 231 basis points for the year ended December 31, 2012, as compared to an operating spread of 214 basis points for the year ended December 31, 2011. The adjusted operating spread, which excludes participating income, increased by 29 basis points for the year ended December 31, 2012 over the prior year.

- Asset Protection segment operating income was $16.5 million, representing a decrease of $9.0 million, or 35.2%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011. Service contract earnings decreased $5.0 million, or 39.5%, primarily due to $4.1 million of expense to impair and dispose of previously capitalized costs associated with developing internal-use software. Credit insurance earnings decreased $4.1 million primarily due to $3.1 million in legal settlement and related costs. Earnings from the GAP product line increased $0.2 million, or 1.5%.

- Corporate and Other segment operating loss was $3.2 million for the year ended December 31, 2012, as compared to operating income of $5.8 million for the year ended December 31, 2011. The decrease was primarily due to an $11.2 million deferred issue cost write-off for the year ended December 31, 2012 associated with the refinancing of several of our subordinated debt securities and $8.5 million of pre-tax earnings that were recorded during the first quarter of 2011 relating to the settlement of a dispute with respect to certain investments. In addition, the segment experienced a $1.6 million unfavorable variance related to gains on the repurchase of non-recourse funding obligations. Partially offsetting these variances were an $8.6 million favorable variance related to mortgage loan prepayment fee income and a $5.0 million increase in investment income related to closing a reserve financing transaction for the year ended December 31, 2012 as compared to the year ended December 31, 2011.

Life Marketing

Segment Results of Operations

Segment results were as follows:

	For The Year Ended December 31,			Change	
	2013	2012	2011	2013	2012
	(Dollars In Thousands)				
REVENUES					
Gross premiums and policy fees	$ 1,634,132	$ 1,575,074	$ 1,591,581	3.7%	(1.0)%
Reinsurance ceded	(838,023)	(831,713)	(846,762)	(0.8)	1.8
Net premiums and policy fees	796,109	743,361	744,819	7.1	(0.2)
Net investment income	521,665	486,463	446,175	7.2	9.0
Other income	123,155	117,109	110,307	5.2	6.2
Total operating revenues	1,440,929	1,346,933	1,301,301	7.0	3.5
Realized gains (losses)—investments[1]	3,877	—	—		
Total revenues	1,444,806	1,346,933	1,301,301		
BENEFITS AND EXPENSES					
Benefits and settlement expenses	1,142,619	1,054,645	978,098	8.3	7.8
Amortization of deferred policy acquisition costs	24,838	45,079	87,461	(44.9)	(48.5)
Other operating expenses	163,174	142,177	139,619	14.8	1.8
Operating benefits and expenses	1,330,631	1,241,901	1,205,178	7.1	3.0
Amortization related to benefits and settlement expenses[1]	513	—	—		
Amortization of DAC related to realized gains (losses)—investments[1]	936	—	—		
Total benefits and expenses	1,332,080	1,241,901	1,205,178		
INCOME BEFORE INCOME TAX	112,726	105,032	96,123	7.3	9.3
Less: realized gains (losses)[1]	3,877	—	—		
Less: amortization related to benefits and settlement expenses[1]	(513)	—	—		
Less: related amortization of DAC[1]	(936)	—	—		
OPERATING INCOME	$ 110,298	$ 105,032	$ 96,123	5.0	9.3

(1) During the year ended December 31, 2013, we began allocating realized gains and losses and associated amortization of DAC

and benefits and settlement expenses to certain of our segments to better reflect the economics of the investments supporting these segments. Prior year realized gains and losses are not comparable to the current year presentation.

The following table summarizes key data for the Life Marketing segment:

	For The Year Ended December 31,			Change	
	2013	2012	2011	2013	2012
	(Dollars In Thousands)				
Sales By Product					
Traditional	$ 1,293	$ 1,115	$ 3,846	16.0%	(71.0)%
Universal life	153,428	117,099	117,947	31.0	(0.7)
BOLI	—	3,253	11,363	n/m	(71.4)
	$ 154,721	$ 121,467	$ 133,156	27.4	(8.8)
Sales By Distribution Channel					
Independent agents	$ 108,180	$ 73,692	$ 89,398	46.8	(17.6)
Stockbrokers / banks	44,343	42,973	31,677	3.2	35.7
BOLI / other	2,198	4,802	12,081	(54.2)	(60.3)
	$ 154,721	$ 121,467	$ 133,156	27.4	(8.8)
Average Life Insurance In-force[1]					
Traditional	$ 424,012,114	$ 449,462,487	$ 476,813,161	(5.7)	(5.7)
Universal life	109,131,467	80,331,839	67,823,606	35.9	18.4
	$ 533,143,581	$ 529,794,326	$ 544,636,767	0.6	(2.7)
Average Account Values					
Universal life	$ 6,965,424	$ 6,501,025	$ 6,037,896	7.1	7.7
Variable universal life	475,064	387,424	364,803	22.6	6.2
	$ 7,440,488	$ 6,888,449	$ 6,402,699	8.0	7.6

(1) Amounts are not adjusted for reinsurance ceded.

Operating Expenses Detail

Other operating expenses for the segment were as follows:

	For The Year Ended December 31,			Change	
	2013	2012	2011	2013	2012
	(Dollars In Thousands)				
Insurance companies:					
First year commissions	$ 169,619	$ 124,045	$ 159,463	36.7%	(22.2)%
Renewal commissions	34,855	35,232	35,898	(1.1)	(1.9)
First year ceding allowances	(4,139)	(4,537)	(8,294)	8.8	45.3
Renewal ceding allowances	(167,853)	(166,445)	(172,493)	(0.8)	3.5
General & administrative	175,641	147,589	155,284	19.0	(5.0)
Taxes, licenses, and fees	36,823	35,439	35,480	3.9	(0.1)
Other operating expenses incurred	244,946	171,323	205,338	43.0	(16.6)
Less: commissions, allowances & expenses capitalized	(198,661)	(139,483)	(173,045)	(42.4)	19.4
Other insurance company operating expenses	46,285	31,840	32,293	45.4	(1.4)
Marketing companies:					
Commissions	86,342	80,390	80,073	7.4	0.4
Other operating expenses	30,547	29,947	27,253	2.0	9.9
Other marketing company operating expenses	116,889	110,337	107,326	5.9	2.8
Other operating expenses	$ 163,174	$ 142,177	$ 139,619	14.8	1.8

For The Year Ended December 31, 2013 as compared to The Year Ended December 31, 2012

Segment Operating Income

Operating income was $110.3 million for the year ended December 31, 2013, representing an increase of $5.3 million, or 5.0%, from the year ended December 31, 2012. The increase was primarily due to higher premiums and policy fees, higher investment income due to growth of the block of business and favorable prospective unlocking. These increases were largely offset by less favorable traditional mortality and higher universal life claims due to growth in in-force and an increase in non-deferred expenses resulting from higher sales.

Operating Revenues

Total operating revenues for the year ended December 31, 2013, increased $94.0 million, or 7.0%, as compared to the year ended December 31, 2012. This increase was driven by higher premiums and policy fees due to increased sales, higher investment income due to increases in net in-force reserves, and higher revenue in the segment's marketing companies.

Net Premiums and Policy Fees

Net premiums and policy fees increased by $52.7 million, or 7.1%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012, primarily due to an increase in premium and policy fees associated with increased sales of universal life business, partially offset by decreases in traditional life premiums.

Net Investment Income

Net investment income in the segment increased $35.2 million, or 7.2%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012. Of the increase in net investment income, $25.1 million was the result of a net increase in universal life reserves. Additionally, traditional life investment income increased $8.8 million due to a net increase in reserves.

Other Income

Other income increased $6.0 million, or 5.2%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012. The increase relates primarily to higher revenue in the segment's non-insurance operations.

Benefits and Settlement Expenses

Benefits and settlement expenses increased by $88.0 million, or 8.3%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012, due to growth in retained universal life insurance in-force, higher credited interest on universal life products resulting from increases in account values, and higher claims from growth in the universal life block and less favorable mortality in the traditional life block. Unlocking during 2013 and 2012 increased benefit and settlement expenses by $50.5 million and $51.0 million, respectively.

Amortization of DAC

DAC amortization decreased $20.2 million, or 44.9%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012, primarily due to differing impacts of unlocking. Unlocking during 2013 and 2012 decreased DAC amortization by $47.6 million and $39.3 million, respectively.

Other Operating Expenses

Other operating expenses increased $21.0 million for the year ended December 31, 2013, as compared to the year ended December 31, 2012. This increase reflects higher new business acquisition costs associated with higher sales, higher marketing company expenses of $6.6 million, higher general administrative expenses, and a $4.0 million increase in interest expense associated with reserve financing costs.

Sales

Sales for the segment increased $33.3 million, or 27.4%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012. Universal life sales increased $36.3 million due to more competitive product positioning. BOLI sales decreased by $3.3 million due to less favorable product positioning.

For The Year Ended December 31, 2012 as compared to The Year Ended December 31, 2011

Segment Operating Income

Operating income was $105.0 million for the year ended December 31, 2012, representing an increase of $8.9 million, or 9.3%, from the year ended December 31, 2011. The increase was primarily due to higher investment income, more favorable traditional life claims, and a less unfavorable change in unlocking. These increases were partially offset by unfavorable universal life and BOLI claims, an increase in reserves resulting from changes in universal life interest rate assumptions, and higher operating expenses.

Operating Revenues

Total operating revenues for the year ended December 31, 2012, increased $45.6 million, or 3.5%, as compared to the year ended December 31, 2011. This increase was driven by higher investment income due to increases in net in-force reserves and higher fee revenue in the segment's marketing companies, partially offset by slightly lower premiums and policy fees.

Net Premiums and Policy Fees

Net premiums and policy fees decreased by $1.5 million, or 0.2%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011, primarily due todecreases in traditional life premiums, largely offset by continued growth in universal life in-force business policy fees.

Net Investment Income

Net investment income in the segment increased $40.3 million, or 9.0%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011. Increased retained universal life reserves more than offset the loss of investment income due to the securitization of excess reserves leading to increased investment income of $20.8 million for the year ended December 31, 2012, as compared to the year ended December 31, 2011 Increases in BOLI reserves led to higher BOLI investment income of $2.3 million in the same period. Traditional life investment income increased $17.4 million caused by growth in retained reserves and lower reserve financing costs.

Other Income

Other income increased $6.8 million, or 6.2%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011. The increase relates primarily to higher fee revenue generated from increased sales in our marketing companies.

Benefits and Settlement Expenses

Benefits and settlement expenses increased by $76.5 million, or 7.8%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011, due to growth in retained universal life insurance in-force, an increase in reserves resulting from changes in universal life interest rate assumptions, higher credited interest on universal life products resulting from increases in account values, and higher claims from growth in the universal life block and continued maturing of the traditional life block. In 2012, universal life and BOLI unlocking was largely driven by assumption changes regarding lapses, investment yield and credited interest on fund value. The impact of these changes increased benefits and settlement expenses $51.0 million. In 2011, universal life and BOLI unlocking increased benefit expenses $25.2 million.

Amortization of DAC

DAC amortization decreased $42.4 million, or 48.5%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011 primarily due to differing impacts of unlocking. In 2012, universal life and BOLI unlocking decreased amortization $39.3 million, as compared to a decrease of $7.0 million in 2011.

Other Operating Expenses

Other operating expenses increased $2.6 million for the year ended December 31, 2012, as compared to the year ended December 31, 2011. This increase reflects higher marketing company expenses of $3.0 million associated with higher sales, a reduction in reinsurance allowances, and a $0.6 million increase in interest expense associated with the securitization of excess universal life reserves. This was partly offset by lower general administrative expenses.

Sales

Sales for the segment decreased $11.7 million, or 8.8%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011. Traditional life sales decreased $2.7 million, or 71.0%, as we focused sales efforts on other lines. Universal life sales decreased $0.8 million, or 0.7%, due to price increases on certain products. BOLI sales, which tend to be subject to large variations, decreased by $8.1 million, or 71.4%.

Reinsurance

Currently, the Life Marketing segment reinsures significant amounts of its life insurance in-force. Pursuant to the underlying reinsurance contracts, reinsurers pay allowances to the segment as a percentage of both first year and renewal premiums. Reinsurance allowances represent the amount the reinsurer is willing to pay for reimbursement of acquisition costs incurred by the direct writer of the business. A portion of reinsurance allowances received is deferred as part of DAC and a portion is recognized immediately as a reduction of other operating expenses. As the non-deferred portion of allowances reduces operating expenses in the period received, these amounts represent a net increase to operating income during that period.

Reinsurance allowances do not affect the methodology used to amortize DAC or the period over which such DAC is amortized. However, they do affect the amounts recognized as DAC amortization. DAC on universal life-type, limited-payment long duration, and investment contracts business is amortized based on the estimated gross profits of the policies in-force. Reinsurance allowances are considered in the determination of estimated gross profits, and therefore, impact DAC amortization on these lines of business. Deferred reinsurance allowances on level term business are recorded as ceded DAC, which is amortized over estimated ceded premiums of the policies in-force. Thus, deferred reinsurance allowances may impact DAC amortization. A more detailed discussion of the components of reinsurance can be found in the Reinsurance section of Note 2, *Summary of Significant Accounting Policies* to our consolidated financial statements.

Impact of Reinsurance

Reinsurance impacted the Life Marketing segment line items as shown in the following table:

Life Marketing Segment
Line Item Impact of Reinsurance

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
REVENUES			
Reinsurance ceded	$ (838,023)	$ (831,713)	$ (846,762)
BENEFITS AND EXPENSES			
Benefits and settlement expenses	(818,597)	(823,510)	(757,225)
Amortization of deferred policy acquisition costs	(45,574)	(41,734)	(51,219)
Other operating expenses(1)	(144,801)	(142,169)	(142,905)
Total benefits and expenses	(1,008,972)	(1,007,413)	(951,349)
NET IMPACT OF REINSURANCE(2)	$ 170,949	$ 175,700	$ 104,587
Allowances received	$ (169,552)	$ (170,982)	$ (180,787)
Less: Amount deferred	24,751	28,813	37,882
Allowances recognized (ceded other operating expenses)(1)	$ (144,801)	$ (142,169)	$ (142,905)

(1) Other operating expenses ceded per the income statement are equal to reinsurance allowances recognized after capitalization.

(2) Assumes no investment income on reinsurance. Foregone investment income would substantially reduce the favorable impact of reinsurance. The Company estimates that the impact of foregone investment income would reduce the net impact of reinsurance by 90% to 160%.

The table above does not reflect the impact of reinsurance on our net investment income. By ceding business to the assuming companies, we forgo investment income on the reserves ceded. Conversely, the assuming companies will receive investment income on the reserves assumed, which will increase the assuming companies' profitability on the business we cede. The net investment income impact to us and the assuming companies has not been quantified. The impact of including foregone investment income would be to substantially reduce the favorable net impact of reinsurance reflected above. We estimate that the impact of foregone investment income would be to reduce the net impact of reinsurance presented in the table above by 90% to 160%. The Life Marketing segment's reinsurance programs do not materially impact the "other income" line of our income statement.

As shown above, reinsurance had a favorable impact on the Life Marketing segment's operating income for the periods presented above. The impact of reinsurance is largely due to our quota share coinsurance program in place prior to mid-2005. Under that program, generally 90% of the segment's traditional new business was ceded to reinsurers. Since mid-2005, a much smaller percentage of overall term business has been ceded due to a change in reinsurance strategy on traditional business. As a result of that change, the relative impact of reinsurance on the Life Marketing segment's overall results is expected to decrease over time. While the significance of reinsurance is expected to decline over time, the overall impact of reinsurance for a given period may fluctuate due to variations in mortality and unlocking of balances.

For The Year Ended December 31, 2013 as compared to The Year Ended December 31, 2012

The increase in ceded premiums for 2013 as compared to 2012 was caused primarily by higher ceded universal life premiums and policy fees of $35.4 million, offset by lower ceded traditional life premiums of $28.6 million.

Ceded benefits and settlement expenses were lower for the year ended December 31, 2013, as compared to the year ended December 31, 2012, due to a smaller increase in ceded reserves, largely offset by higher ceded claims. Traditional ceded benefits decreased $5.9 million for the year ended December 31, 2013, as compared to the year ended December 31,2012, due to a smaller increase in ceded reserves, largely offset by higher ceded death benefits. Universal life ceded benefits increased $0.6 million for the year ended December 31, 2013, as compared to the year ended December 31, 2012, due to higher ceded claims, largely offset by a smaller increase in the ceded reserves. Ceded universal life claims were $10.9 million higher for the year ended December 31, 2013, as compared to the year ended December 31, 2012.

Ceded amortization of deferred policy acquisitions costs increased for the year ended December 31, 2013, as compared to the year ended December 31, 2012, primarily due to the differences in unlocking between the two periods.

Total allowances recognized for the year ended December 31, 2013, increased slightly from the year ended December 31, 2012, as the impact of growth in the universal life product line more than offset the impact of the continued reduction in our traditional life reinsurance allowances.

For The Year Ended December 31, 2012 as compared to The Year Ended December 31, 2011

The decrease in ceded premiums for 2012 as compared to 2011 was caused primarily by lower ceded traditional life premiums of $38.4 million, partially offset by higher ceded universal life premiums of $23.4 million.

Ceded benefits and settlement expenses were higher for the year ended December 31, 2012, as compared to the year ended December 31, 2011 due to higher increases in ceded reserves and higher ceded claims. Traditional ceded benefits decreased $44.0 million for the year ended December 31, 2012, as compared to the year ended December 31, 2011, due toa decrease in ceded reserves and slightly lower ceded death benefits. Universal life ceded benefits increased $110.0 million for the year ended December 31, 2012, as compared to the year ended December 31, 2011, due to an increase in ceded reserves primarily due to unlocking, new business, and higher ceded claims. Ceded universal life claims were $26.7 million higher for the year ended December 31, 2012, as compared to the year ended December 31, 2011.

Ceded amortization of deferred policy acquisitions costs decreased for the year ended December 31, 2012, as compared to the year ended December 31, 2011, primarily due tothe differences in unlocking between the two periods.

Total allowances recognized for the year ended December 31, 2012, decreased slightly from the year ended December 31, 2011, as the impact of the continued reduction in our traditional life reinsurance allowances more than offset the impact of growth in the universal life product line.

Acquisitions

Segment Results of Operations

Segment results were as follows:

	For The Year Ended December 31,			Change	
	2013	2012	2011	2013	2012
	(Dollars In Thousands)				
REVENUES					
Gross premiums and policy fees	$ 929,125	$ 847,080	$ 834,499	9.7%	1.5%
Reinsurance ceded	(409,648)	(387,245)	(419,676)	(5.8)	7.7
Net premiums and policy fees	519,477	459,835	414,823	13.0	10.9
Net investment income	617,298	550,334	529,261	12.2	4.0
Other income	6,924	6,003	5,561	15.3	7.9
Total operating revenues	1,143,699	1,016,172	949,645	12.5	7.0
Realized gains (losses)—investments	(160,065)	178,941	167,107		
Realized gains (losses)—derivatives	202,945	(130,818)	(133,931)		
Total revenues	1,186,579	1,064,295	982,821		
BENEFITS AND EXPENSES					
Benefits and settlement expenses	839,616	716,893	662,293	17.1	8.2
Amortization of value of business acquired	71,836	76,505	74,167	(6.1)	3.2
Other operating expenses	78,244	51,714	55,792	51.3	(7.3)
Operating benefits and expenses	989,696	845,112	792,252	17.1	6.7
Amortization related to benefits and settlement expenses(1)	11,770	—	—		
Amortization of VOBA related to realized gains (losses)—investments	926	746	874		
Total benefits and expenses	1,002,392	845,858	793,126	18.5	6.6
INCOME BEFORE INCOME TAX	184,187	218,437	189,695	(15.7)	15.2
Less: realized gains (losses)	42,880	48,123	33,176		
Less: amortization related to benefits and settlement expenses(1)	(11,770)	—	—		
Less: related amortization of VOBA	(926)	(746)	(874)		
OPERATING INCOME	$ 154,003	$ 171,060	$ 157,393	(10.0)	8.7

(1) During the year ended December 31, 2013, we began allocating benefits and settlement expenses associated with realized gains and losses to the Acquisitions segment. Prior period amounts of amortization related to benefits and settlement expenses are not comparable.

The following table summarizes key data for the Acquisitions segment (excludes the MONY acquisition):

	For The Year Ended December 31, 2013	2012	2011	Change 2013	2012
	(Dollars In Thousands)				
Average Life Insurance In-Force(1)(4)					
Traditional	$ 167,594,421	$ 179,586,818	$ 188,439,000	(6.7)%	(4.7)%
Universal life	27,771,451	30,351,626	30,670,689	(8.5)	(1.0)
	$ 195,365,872	$ 209,938,444	$ 219,109,689	(6.9)	(4.2)
Average Account Values					
Universal life	$ 3,330,496	$ 3,418,753	$ 3,304,966	(2.6)	3.4
Fixed annuity(2)	3,033,811	3,187,616	3,329,680	(4.8)	(4.3)
Variable annuity	583,758	597,467	665,742	(2.3)	(10.3)
	$ 6,948,065	$ 7,203,836	$ 7,300,388	(3.6)	(1.3)
Interest Spread—UL & Fixed Annuities					
Net investment income yield(3)	5.73%	5.83%	5.86%		
Interest credited to policyholders	4.00	3.99	3.98		
Interest spread	1.73%	1.84%	1.88%		

(1) Amounts are not adjusted for reinsurance ceded.

(2) Includes general account balances held within variable annuity products and is net of coinsurance ceded.

(3) Earned rates exclude portfolios supporting modified coinsurance and crediting rates exclude 100% cessions.

(4) Excludes $44,812,977 related to the MONY acquisition.

For The Year Ended December 31, 2013 as compared to The Year Ended December 31, 2012

Segment Operating Income

Operating income was $154.0 million for the year ended December 31, 2013, a decrease of $17.1 million, or 10.0%,as compared to the year ended December 31, 2012, primarily due to less favorable mortality, an unfavorable change in prospective unlocking, lower spread income, the impact of increased reinsurance, and the expected runoff of business, partly offset by the favorable impact of $25.2 million from the MONY acquisition in the fourth quarter of 2013.

Operating Revenues

Net premiums and policy fees increased $59.6 million, or 13.0%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012, primarily due to the MONY acquisition which added $104.3 million in 2013. This increase was partly offset by a reinsurance transaction in 2013, the favorable impact of a reinsurance recapture in 2012, and expected runoff. Net investment income increased $67.0 million, or 12.2%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012, primarily due to the MONY acquisition. This was offset by expected runoff related to other blocks of business.

Total Benefits and Expenses

Total benefits and expenses increased $156.5 million, or 18.5%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012. The increase was due to a $175.9 million impact from the MONY acquisition, less favorable mortality and less favorable unlocking, which was partly offset by reinsurance changes, and the expected runoff of the in-force business.

For The Year Ended December 31, 2012 as compared to The Year Ended December 31, 2011

Segment Operating Income

Operating income was $171.1 million for the year ended December 31, 2012, an increase of $13.7 million, or 8.7%,as compared to the year ended December 31, 2011, primarily due to the Liberty Life coinsurance transaction. The Liberty Life transaction added $50.2 million to segment operating income for the year ended December 31, 2012, an increase of $15.1 million as compared to the year ended December 31, 2011. The Liberty Life transaction was effective April 30, 2011, therefore, the 2012 results include twelve months of Liberty Life activity as compared to eight months included in the 2011 results. This was partly offset by the expected runoff in the older acquired blocks.

Operating Revenues

Net premiums and policy fees increased $45.0 million, or 10.9%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011, primarily due to the additional months of the Liberty Life blocks of business and the impact of a reinsurance recapture more than offsetting expected runoff related to other blocks of business. Net investment income increased $21.1 million, or 4.0%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011,due to the additional months associated with the Liberty Life blocks of business. This was offset by expected runoff related to other blocks of business.

Total Benefits and Expenses

Total benefits and expenses increased $52.7 million, or 6.6%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011. The increase was due to the additional months associated with the Liberty Life blocks, the impact of a reinsurance recapture and less favorable mortality, which was partly offset by the expected runoff of the in-force business.

Reinsurance

The Acquisitions segment currently reinsures portions of both its life and annuity in-force. The cost of reinsurance to the segment is reflected in the chart shown below. A more detailed discussion of the components of reinsurance can be found in the Reinsurance section of Note 2, *Summary of Significant Accounting Policies* to our consolidated financial statements.

Impact of Reinsurance

Reinsurance impacted the Acquisitions segment line items as shown in the following table:

Acquisitions Segment
Line Item Impact of Reinsurance

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
REVENUES			
Reinsurance ceded	$ (409,648)	$ (387,245)	$ (419,676)
BENEFITS AND EXPENSES			
Benefits and settlement expenses	(330,153)	(320,662)	(383,439)
Amortization of deferred policy acquisition costs	(8,968)	(11,766)	(19,062)
Other operating expenses	(50,159)	(54,595)	(54,894)
Total benefits and expenses	(389,280)	(387,023)	(457,395)
NET IMPACT OF REINSURANCE(1)	$ (20,368)	$ (222)	$ 37,719

(1) Assumes no investment income on reinsurance. Foregone investment income would substantially reduce the favorable impact of reinsurance.

The segment's reinsurance programs do not materially impact the other income line of the income statement. In addition, net investment income generally has no direct impact on reinsurance cost. However, by ceding business to the assuming companies, we forgo investment income on the reserves ceded to the assuming companies. Conversely, the assuming companies will receive investment income on the reserves assumed which will increase the assuming companies' profitability on business assumed from the Company. For business ceded under modified coinsurance arrangements, the amount of investment income attributable to the assuming company is included as part of the overall change in policy reserves and, as such, is reflected in benefit and settlement expenses. The net investment income impact to us and the assuming companies has not been quantified as it is not fully reflected in our consolidated financial statements.

The net impact of reinsurance decreased $20.1 million for the year ended December 31, 2013, as compared to the year ended December 31, 2012, primarily due to an increase in ceded premiums in relation to the increase in ceded benefits and settlement expenses. This was primarily driven by the MONY acquisition in the fourth quarter of 2013.

The net impact of reinsurance decreased $37.9 million for the year ended December 31, 2012, as compared to the year ended December 31, 2011 primarily due to a larger decrease in ceded benefits and settlement expenses in relation to the decrease in ceded premiums.

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Annuities

Segment Results of Operations

Segment results were as follows:

	For The Year Ended December 31,			Change	
	2013	2012	2011	2013	2012
	(Dollars In Thousands)				
REVENUES					
Gross premiums and policy fees	$ 132,317	$ 97,928	$ 68,385	35.1%	43.2%
Reinsurance ceded	—	(26)	(66)	n/m	60.6
Net premiums and policy fees	132,317	97,902	68,319	35.2	43.3
Net investment income	468,322	504,345	507,230	(7.1)	(0.6)
Realized gains (losses)—derivatives	(59,737)	(36,501)	(21,881)	(63.7)	(66.8)
Other income	125,511	84,317	55,160	48.9	52.9
Total operating revenues	666,413	650,063	608,828	2.5	6.8
Realized gains (losses)—investments	8,418	28,470	9,461		
Realized gains (losses)—derivatives, net of economic cost	39,721	(66,331)	16,058		
Total revenues	714,552	612,202	634,347	16.7	(3.5)
BENEFITS AND EXPENSES					
Benefits and settlement expenses	321,456	369,692	391,880	(13.0)	(5.7)
Amortization of deferred policy acquisition costs and value of business acquired	48,207	60,032	51,417	(19.7)	16.8
Other operating expenses	112,620	101,247	85,307	11.2	18.7
Operating benefits and expenses	482,283	530,971	528,604	(9.2)	0.4
Amortization related to benefits and settlement expenses	(2,036)	(70)	(1,092)		
Amortization of DAC related to realized gains (losses) —investments	14,627	(14,713)	5,784		
Total benefits and expenses	494,874	516,188	533,296	(4.1)	(3.2)
INCOME BEFORE INCOME TAX	219,678	96,014	101,051	n/m	(5.0)
Less: realized gains (losses)—investments	8,418	28,470	9,461		
Less: realized gains (losses)—derivatives, net of economic cost	39,721	(66,331)	16,058		
Less: amortization related to benefits and settlement expenses	2,036	70	1,092		
Less: related amortization of DAC	(14,627)	14,713	(5,784)		
OPERATING INCOME	$ 184,130	$ 119,092	$ 80,224	54.6	48.4

The following table summarizes key data for the Annuities segment:

	For The Year Ended December 31,			Change	
	2013	2012	2011	2013	2012
	(Dollars In Thousands)				
Sales					
Fixed annuity	$ 693,128	$ 591,711	$ 1,032,582	17.1%	(42.7)%
Variable annuity	1,866,494	2,734,985	2,348,599	(31.8)	16.5
	$ 2,559,622	$ 3,326,696	$ 3,381,181	(23.1)	(1.6)
Average Account Values					
Fixed annuity[1]	$ 8,233,343	$ 8,559,562	$ 8,538,007	(3.8)	0.3
Variable annuity	10,696,375	7,550,714	5,397,720	41.7	39.9
	$ 18,929,718	$ 16,110,276	$ 13,935,727	17.5	15.6
Interest Spread—Fixed Annuities[2]					
Net investment income yield	5.50%	5.80%	5.93%		
Interest credited to policyholders	3.53	3.85	4.33		
Interest spread	1.97%	1.95%	1.60%		

(1) Includes general account balances held within variable annuity products.

(2) Interest spread on average general account values.

	For The Year Ended December 31,			Change	
	2013	2012	2011	2013	2012
	(Dollars In Thousands)				
Derivatives related to variable annuity contracts:					
Interest rate futures — VA	$ (31,216)	$ 21,138	$ 164,221	$ (52,354)	$ (143,083)
Equity futures — VA	(52,640)	(50,797)	(30,061)	(1,843)	(20,736)
Currency futures — VA	(469)	(2,763)	2,977	2,294	(5,740)
Volatility futures — VA	—	(132)	—	132	(132)
Variance swaps—VA	(11,310)	(11,792)	(239)	482	(11,553)
Equity options — VA	(95,022)	(37,370)	(15,051)	(57,652)	(22,319)
Volatility options — VA	(115)	—	—	(115)	—
Interest rate swaptions — VA	1,575	(2,260)	—	3,835	(2,260)
Interest rate swaps—VA	(157,408)	3,264	7,718	(160,672)	(4,454)
Credit default swaps—VA	—	—	(7,851)	—	7,851
Embedded derivative — GMWB(1)	325,497	(22,120)	(127,537)	347,617	105,417
Total derivatives related to variable annuity contracts	(21,108)	(102,832)	(5,823)	81,724	(97,009)
Derivatives related to FIA contracts:					
Embedded derivative — FIA	(942)	—	—	(942)	—
Equity futures — FIA	173	—	—	173	—
Volatility futures — FIA	(5)	—	—	(5)	—
Equity options — FIA	1,866	—	—	1,866	—

—FIA	[illegible]	—	—	[illegible]	—
Total derivatives related to FIA contracts	1,092	—	—	1,092	—
Economic cost — VA GMWB[2]	59,737	36,501	21,881	23,236	14,620
Realized gains (losses) —derivatives, net of economic cost	$ 39,721	$ (66,331)	$ 16,058	$ 106,052	$ (82,389)

(1) Includes impact of nonperformance risk of $(18.3) million and $(70.4) million for the year ended December 31, 2013 and 2012, respectively.

(2) Economic cost is the long-term expected average cost of providing the product benefit over the life of the policy based on product pricing assumptions. These include assumptions about the economic/market environment, and elective and non-elective policy owner behavior (e.g. lapses, withdrawal timing, mortality, etc.).

	As of December 31,		
	2013	2012	Change
	(Dollars In Thousands)		
GMDB—Net amount at risk[1]	$ 90,021	$ 129,309	(30.4)%
GMDB Reserves	16,001	19,316	(17.2)
GMWB and GMAB Reserves	(156,228)	169,269	n/m
Account value subject to GMWB rider	9,513,847	7,165,375	32.8
GMWB Benefit Base	8,601,719	6,888,471	24.9
GMAB Benefit Base	5,441	5,565	(2.2)
S&P 500® Index	1,848	1,426	29.6

(1) Guaranteed death benefits in excess of contract holder account balance.

For The Year Ended December 31, 2013 as compared to The Year Ended December 31, 2012

Segment Operating Income

Segment operating income was $184.1 million for the year ended December 31, 2013, as compared to $119.1 millionfor the year ended December 31, 2012, an increase of $65.0 million, or 54.6%. This variance included a favorable change due to higher net policy fees and other income of $55.0 million in the VA line associated with growth in account balances, lower benefits and settlement expenses, and a favorable change in unlocking. Partially offsetting these favorable changes was an unfavorable change of $17.5 million in the SPIA mortality results and an increase in non-deferred expenses.

Operating Revenues

Segment operating revenues increased $16.4 million, or 2.5%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012, primarily due to increases in net policy fees and other income associated with the growth in account balances from the VA line of business. Those increases were partially offset by lower investment income. Average fixed account balances decreased by 3.8% and average variable account balances grew 41.7% for the year ended December 31, 2013, as comparedto the year ended December 31, 2012.

Benefits and Settlement Expenses

Benefits and settlement expenses decreased $48.2 million, or 13.0%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012. This decrease was primarily the result of lower credited interest, lower realized losses in the market value adjusted line, lower amortization, a favorable change in unlocking, and a $2.8 million favorable change in FIA fair value adjustments. These favorable changes were partially offset by a $17.5 million unfavorable change in SPIA mortality results. Unfavorable unlocking of $2.1 million was recorded in the year ended December 31, 2013, as compared to $13.8 million of unfavorable unlocking during the year ended December 31, 2012.

Amortization of DAC

The decrease in DAC amortization for the year ended December 31, 2013, as compared to the year ended December 31, 2012,was primarily due to a favorable change in unlocking. The segment recorded favorable DAC unlocking of $15.9 million for the year ended December 31, 2013, as compared to unfavorable unlocking of $11.4 million for the year ended December 31, 2012. The favorable change in unlocking is partially offset by increased DAC amortization in the VA line that is attributable to the growth in the business.

Other Operating Expenses

Other operating expenses increased $11.4 million, or 11.2%, for the year ended December 31, 2013, as compared to the yearended December 31, 2012. The increase is due to higher commissions and maintenance expenses, partially offset by lower acquisition expenses.

Sales

Total sales decreased $767.1 million, or 23.1%, for the year ended December 31, 2013, as compared to the year endedDecember 31, 2012. Sales of variable annuities decreased $868.5 million, or 31.8% for the year ended December 31, 2013, as compared to the year ended December 31, 2012. Sales of fixed annuities increased by $101.4 million, or 17.1% for the year ended December 31, 2013, as compared to the year ended December 31, 2012, driven by sales of a recently launched fixed indexed annuity.

For The Year Ended December 31, 2012 as compared to The Year Ended December 31, 2011

Segment Operating Income

Segment operating income was $119.1 million for the year ended December 31, 2012, as compared to $80.2 million for the year ended December 31, 2011, an increase of $38.9 million. This variance included a favorable change of $41.2 million in operating revenue driven by higher policy fees and other income in the VA line and lower benefits and settlement expenses. Partially offsetting these favorable changes was an unfavorable change of $14.7 million in unlocking and an increase in DAC amortization and non-deferred expenses.

Operating Revenues

Segment operating revenues increased $41.2 million, or 6.8%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011, primarily due to increases in policy fees and other income from the VA line of business. Those increases were partially offset by lower investment income and increased GMWB economic cost from the VA line of business. Average fixed account balances grew 0.3% and average variable account balances grew 39.9% for the year ended December 31, 2012, as compared to the year ended December 31, 2011.

Benefits and Settlement Expenses

Benefits and settlement expenses decreased $22.2 million, or 5.7%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011. This decrease was primarily the result of lower credited interest, a $9.0 million favorable change in SPIA mortality results and other favorable reserve changes. These favorable changes were partially offset by higher realized losses in the market value adjusted line, a $4.0 million unfavorable change in the FIA fair value adjustments, and an unfavorable change in unlocking. Unfavorable unlocking of $13.8 million was recorded in the year ended December 31, 2012, as compared to $3.1 million of favorable unlocking during the year ended December 31, 2011.

Amortization of DAC

The increase in DAC amortization for the year ended December 31, 2012, as compared to the year ended December 31, 2011,was primarily due to growth in the VA line of business. The segment recorded unfavorable DAC unlocking of $11.4 million for the year ended December 31, 2012, as compared to unfavorable unlocking of $13.6 million for the year ended December 31, 2011.

Other Operating Expenses

Other operating expenses increased $15.9 million, or 18.7%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011. The increase is due to higher commissions, maintenance, and acquisition expenses driven by the growth of the business.

Sales

Total sales decreased $54.5 million, or 1.6%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011. Sales of variable annuities increased $386.4 million, or 16.5% for the year ended December 31, 2012, as compared to the year ended December 31, 2011.Sales of fixed annuities decreased by $440.9 million, or 42.7% for the year ended December 31, 2012, as compared to the year ended December 31, 2011, driven by a decrease in single premium deferred annuity and market value adjusted annuity sales.

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Stable Value Products

Segment Results of Operations

Segment results were as follows:

	For The Year Ended December 31, 2013	2012	2011	Change 2013	2012
	(Dollars In Thousands)				
REVENUES					
Net investment income	$ 123,798	$ 128,239	$ 145,150	(3.5)%	(11.7)%
Other income	759	1	(1)	n/m	n/m
Total operating revenues	124,557	128,240	145,149	(2.9)	(11.6)
Realized gains (losses)	(1,767)	(5,391)	24,966	(67.2)	n/m
Total revenues	122,790	122,849	170,115	n/m	(27.8)
BENEFITS AND EXPENSES					
Benefits and settlement expenses	41,793	64,790	81,256	(35.5)	(20.3)
Amortization of deferred policy acquisition costs	398	947	4,556	(58.0)	(79.2)
Other operating expenses	1,805	2,174	2,557	(17.0)	(15.0)
Total benefits and expenses	43,996	67,911	88,369	(35.2)	(23.2)
INCOME BEFORE INCOME TAX	78,794	54,938	81,746	43.4	(32.8)
Less: realized gains (losses)	(1,767)	(5,391)	24,966		
OPERATING INCOME	$ 80,561	$ 60,329	$ 56,780	33.5	6.3

The following table summarizes key data for the Stable Value Products segment:

	For The Year Ended December 31, 2013	2012	2011	Change 2013	2012
	(Dollars In Thousands)				
Sales					
GIC	$ 494,582	$ 400,104	$ 498,695	23.6%	(19.8)%
GFA—Direct Institutional	—	221,500	300,000	n/m	(26.2)
	$ 494,582	$ 621,604	$ 798,695	(20.4)	(22.2)
Average Account Values	$ 2,537,307	$ 2,637,549	$ 2,685,194	(3.8)%	(1.8)%
Ending Account Values	$ 2,559,552	$ 2,510,559	$ 2,769,510	2.0%	(9.4)%
Operating Spread					
Net investment income yield	4.88%	4.87%	5.43%		
Other income yield	0.03	—	—		
Interest credited	1.65	2.44	3.03		
Operating expenses	0.09	0.12	0.26		
Operating spread	3.17%	2.31%	2.14%		
Adjusted operating spread(1)	2.67%	2.09%	1.80%		

(1) Excludes participating mortgage loan income and other income.

For The Year Ended December 31, 2013 as compared to The Year Ended December 31, 2012

Segment Operating Income

Operating income was $80.6 million and increased $20.2 million, or 33.5%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012. The increase in operating earnings resulted from an increase in participating mortgage income, higher operating spreads, and lower expenses offset by a decline in average account values. Participating mortgage income for the year ended December 31, 2013 was $12.1 million as compared to $5.5 million for the year ended December 31, 2012. The adjusted operating spread, which excludes participating income and other income, increased by 58 basis points for the year ended December 31, 2013 over the prior year.

For The Year Ended December 31, 2012 as compared to The Year Ended December 31, 2011

Segment Operating Income

Operating income was $60.3 million and increased $3.5 million, or 6.3%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011. The increase in operating earnings resulted from higher operating spreads and lower expenses offset by a decline in average account values. We also called certain retail notes, which accelerated DAC amortization of $3.4 million for the year ended December 31, 2011. We did not accelerate DAC amortization during the year ended December 31, 2012 as no contracts were called. The operating spread increased 17 basis points to 231 basis points for the year ended December 31, 2012, as compared to an operating spread of 214 basis points for the year ended December 31, 2011. The adjusted operating spread, which excludes participating income, increased by 29 basis points for the year ended December 31, 2012 over the prior year.

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Asset Protection

Segment Results of Operations

Segment results were as follows:

	For The Year Ended December 31, 2013	2012	2011	Change 2013	2012
	(Dollars In Thousands)				
REVENUES					
Gross premiums and policy fees	$ 267,917	$ 274,629	$ 284,206	(2.4)%	(3.4)%
Reinsurance ceded	(129,513)	(126,824)	(128,063)	(2.1)	1.0
Net premiums and policy fees	138,404	147,805	156,143	(6.4)	(5.3)
Net investment income	23,179	24,310	26,501	(4.7)	(8.3)
Other income	116,734	111,182	94,627	5.0	17.5
Total operating revenues	278,317	283,297	277,271	(1.8)	2.2
BENEFITS AND EXPENSES					
Benefits and settlement expenses	101,696	100,697	99,510	1.0	1.2
Amortization of deferred policy acquisition costs	30,505	33,951	38,080	(10.1)	(10.8)
Other operating expenses	119,321	132,195	114,029	(9.7)	15.9
Total benefits and expenses	251,522	266,843	251,619	(5.7)	6.1
INCOME BEFORE INCOME TAX	26,795	16,454	25,652	62.8	(35.9)
Less: noncontrolling interests	—	—	245	n/m	n/m
OPERATING INCOME	$ 26,795	$ 16,454	$ 25,407	62.8	(35.2)

The following table summarizes key data for the Asset Protection segment:

	For The Year Ended December 31, 2013	2012	2011	Change 2013	2012
	(Dollars In Thousands)				
Sales					
Credit insurance	$ 33,637	$ 35,339	$ 35,767	(4.8)%	(1.2)%
Service contracts	369,514	353,633	306,973	4.5	15.2
GAP	66,646	62,342	72,908	6.9	(14.5)
	$ 469,797	$ 451,314	$ 415,648	4.1	8.6
Loss Ratios(1)					
Credit insurance	36.1%	37.7%	33.8%		
Service contracts	91.2	90.9	88.4		
GAP	43.2	26.6	19.6		

(1) Incurred claims as a percentage of earned premiums

For The Year Ended December 31, 2013 as compared to The Year Ended December 31, 2012

Segment Operating Income

Operating income was $26.8 million, representing an increase of $10.3 million, or 62.8%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012. Service contract earnings increased $5.5 million primarily due to $4.1 million of expense incurred in 2012 to write off previously capitalized costs associated with developing internal-use software. In addition, the line experienced higher

volume and lower general expenses in 2013. Credit insurance earnings increased $4.0 million primarily due to $3.1 million in legal settlement and related costs incurred in 2012 and lower expenses in 2013. Earnings from the GAP product line increased $0.8 million primarily resulting from lower expenses, somewhat offset by higher losses.

Net Premiums and Policy Fees

Net premiums and policy fees decreased $9.4 million, or 6.4%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012. GAP premiums decreased $5.0 million, or 12.9%, primarily due to higher ceded premiums and a change in the mix of GAP business. Service contract premiums decreased $3.0 million, or 3.3%, partly due to higher ceded premiums. Credit insurance premiums decreased $1.4 million, or 8.3%, primarily relating to lower sales and the related impact on earned premiums.

Other Income

Other income increased $5.6 million, or 5.0%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012, primarily due to an increase in 2013 sales reflecting improvement in the U.S. automobile market.

Benefits and Settlement Expenses

Benefits and settlement expenses increased $1.0 million, or 1.0%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012. GAP claims increased $4.3 million, or 41.3%, due to higher loss ratios. The increase was partially offset by decreases in service contract claims of $2.5 million, or 3.0%, and credit insurance claims of $0.8 million, or 12.3%.

Amortization of DAC and Other Operating Expenses

Amortization of DAC was $3.4 million, or 10.1%, lower for the year ended December 31, 2013, as compared to the year ended December 31, 2012, primarily due to lower earned premiums in the GAP and credit product lines somewhat offset by higher amortization expense in the service contract product line. Other operating expenses decreased $12.9 million, or 9.7%, for the year ended December 31, 2013, partly due to the $4.1 million impairment and disposal of capitalized costs associated with developing internal-use software in 2012, $2.0 million legal settlement costs incurred in 2012 and an expense reduction initiative implemented in the first quarter of 2013.

Sales

Total segment sales increased $18.5 million, or 4.1%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012. Service contract sales increased $15.9 million, or 4.5% and sales in the GAP product line increased $4.3 million, or 6.9%. The increase is partly attributable to the improvement in auto sales over the prior year. Credit insurance sales decreased $1.7 million, or 4.8%, partly due to an increase in refunds as a result of the 2012 legal settlement.

For The Year Ended December 31, 2012 as compared to The Year Ended December 31, 2011

Segment Operating Income

Operating income was $16.5 million, representing a decrease of $9.0 million, or 35.2%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011. Service contract earnings decreased $5.0 million, or 39.5%, primarily due to $4.1 million of expense to impair and dispose of previously capitalized costs associated with developing internal-use software. Credit insurance earnings decreased $4.1 million primarily due to $3.1 million in legal settlement and related costs. Earnings from the GAP product line increased $0.2 million, or 1.5%.

Net Premiums and Policy Fees

Net premiums and policy fees decreased $8.3 million, or 5.3%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011. Service contract premiums decreased $3.9 million, or 4.1%, GAP premiums decreased $2.3 million, or 5.6%, and credit insurance premiums decreased $2.1 million, or 11.5%. The decrease in service contract and credit lines were primarily the result of lower sales in prior years and the related impact on earned premiums. The decrease in GAP premiums is primarily due to a change in mix of GAP business.

Other Income

Other income increased $16.6 million, or 17.5%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011 primarily due to an increase in 2012 sales reflecting improvement in the U.S. automobile market and increased market share.

Benefits and Settlement Expenses

Benefits and settlement expenses increased $1.2 million, or 1.2%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011. GAP claims increased $2.0 million, or 23.3%, due to higher loss ratios. The increase was partially offset by decreases in service contract claims of $0.7 million, or 0.8%, and credit insurance claims of $0.1 million, or 1.3%.

Amortization of DAC and Other Operating Expenses

Amortization of DAC was $4.1 million, or 10.8%, lower for the year ended December 31, 2012, as compared to the year ended December 31, 2011, primarily due to lower earned premiums in the GAP product line. Other operating expenses increased $18.2 million, or 15.9%, for the year ended December 31, 2012, partly due to the $4.1 million impairment and disposal of capitalized costs associated with developing internal-use software and $2.0 million legal settlement costs. Expenses related to higher sales and expenses related to new initiatives also contributed to the increase.

Sales

Total segment sales increased $35.7 million, or 8.6%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011 Service contract sales increased $46.7 million, or 15.2%. The increase is attributable to the improvement in auto sales over the prior year and increased market share. Sales in the GAP product line decreased $10.6 million, or 14.5%, primarily due to a change in mix of GAP business. Credit insurance sales decreased $0.4 million, or 1.2%.

Reinsurance

The majority of the Asset Protection segment's reinsurance activity relates to the cession of single premium credit life and credit accident and health insurance, vehicle service contracts, and guaranteed asset protection insurance to producer affiliated reinsurance companies ("PARCs"). These arrangements are coinsurance contracts ceding the business on a first dollar quota share basis at 100% to limit our exposure and allow the PARCs to share in the underwriting income of the product. Reinsurance contracts do not relieve us from our obligations to our policyholders. A more detailed discussion of the components of reinsurance can be found in the Reinsurance section of Note 2, *Summary of Significant Accounting Policies* to our consolidated financial statements.

Reinsurance impacted the Asset Protection segment line items as shown in the following table:

Asset Protection Segment
Line Item Impact of Reinsurance

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
REVENUES			
Reinsurance ceded	$ (129,513)	$ (126,824)	$ (128,063)
BENEFITS AND EXPENSES			
Benefits and settlement expenses	(55,651)	(56,486)	(60,776)
Amortization of deferred policy acquisition costs	(6,953)	(7,582)	(9,139)
Other operating expenses	(6,215)	(5,619)	(6,779)
Total benefits and expenses	(68,819)	(69,687)	(76,694)
NET IMPACT OF REINSURANCE[1]	$ (60,694)	$ (57,137)	$ (51,369)

(1) Assumes no investment income on reinsurance. Foregone investment income would substantially change the impact of reinsurance.

For The Year Ended December 31, 2013 as compared to The Year Ended December 31, 2012

Reinsurance premiums ceded increased $2.7 million, or 2.1%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012. The increase was primarily due to increases in service contract and GAP premiums somewhat offset by a decline in ceded dealer credit insurance premiums due to lower sales.

Benefits and settlement expenses ceded decreased $0.8 million, or 1.5%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012. The decrease was primarily due to lower losses in the dealer credit line, mostly offset by increases in ceded losses in the service contract and GAP lines.

Amortization of DAC ceded decreased $0.6 million, or 8.3%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012, primarily as the result of decreases in ceded activity in the service contract product line. Other operating expenses ceded increased $0.6 million, or 10.6%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012, primarily as a result of increases in the service contract and GAP lines.

Net investment income has no direct impact on reinsurance cost. However, by ceding business to the assuming companies, we forgo investment income on the reserves ceded. Conversely, the assuming companies will receive investment income on the reserves assumed which generally will increase the assuming companies' profitability on business we cede. The net investment income impact to us and the assuming companies has not been quantified as it is not reflected in our consolidated financial statements.

For The Year Ended December 31, 2012 as compared to The Year Ended December 31, 2011

Reinsurance premiums ceded decreased $1.2 million, or 1.0%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011. The decrease was primarily due to a decline in ceded dealer credit insurance premiums due to lower sales in prior years, somewhat offset by increases in service contract and GAP premiums.

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Benefits and settlement expenses ceded decreased $4.3 million, or 7.1%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011. Thedecrease was primarily due to lower losses in the service contract line.

Amortization of DAC ceded decreased $1.6 million, or 17.0%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011, primarily as the result of decreases in ceded activity in the dealer credit product line. Other operating expenses ceded decreased $1.2 million, or 17.1%, for the year ended December 31, 2012, ascompared to the year ended December 31, 2011, primarily as a result of decreases in the service contract and dealer credit lines.

Net investment income has no direct impact on reinsurance cost. However, by ceding business to the assuming companies, we forgo investment income on the reserves ceded. Conversely, the assuming companies will receive investment income on the reserves assumed which generally will increase the assuming companies' profitability on business we cede. The net investment income impact to us and the assuming companies has not been quantified as it is not reflected in our consolidated financial statements.

Corporate and Other

Segment Results of Operations

Segment results were as follows:

	For The Year Ended December 31, 2013	2012	2011	Change 2013	Change 2012
	(Dollars In Thousands)				
REVENUES					
Gross premiums and policy fees	$ 18,160	$ 19,567	$ 21,469	(7.2)%	(8.9)%
Reinsurance ceded	(11)	(28)	(108)	60.7	74.1
Net premiums and policy fees	18,149	19,539	21,361	(7.1)	(8.5)
Net investment income	163,819	168,641	166,326	(2.9)	1.4
Other income	21,232	39,951	42,158	(46.9)	(5.2)
Total operating revenues	203,200	228,131	229,845	(10.9)	(0.7)
Realized gains (losses)—investments	3,363	(30,048)	(14,420)		
Realized gains (losses)—derivatives	5,392	(4,653)	(15,138)		
Total revenues	211,955	193,430	200,287	9.6	(3.4)
BENEFITS AND EXPENSES					
Benefits and settlement expenses	22,330	19,393	21,528	15.1	(9.9)
Amortization of deferred policy acquisition costs	625	1,018	2,654	(38.6)	(61.6)
Other operating expenses	220,807	210,923	199,896	4.7	5.5
Total benefits and expenses	243,762	231,334	224,078	5.4	3.2
INCOME (LOSS) BEFORE INCOME TAX	(31,807)	(37,904)	(23,791)	16.1	(59.3)
Less: realized gains (losses)—investments	3,363	(30,048)	(14,420)		
Less: realized gains (losses)—derivatives	5,392	(4,653)	(15,138)		
OPERATING INCOME (LOSS)	$ (40,562)	$ (3,203)	$ 5,767	n/m	n/m

For The Year Ended December 31, 2013 as compared to The Year Ended December 31, 2012

Segment Operating Income (Loss)

Corporate and Other segment operating loss was $40.6 million for the year ended December 31, 2013, as compared to an operating loss of $3.2 million for the year ended December 31, 2012. The decrease was primarily due to an $18.4 million unfavorable variance related to gains on the repurchase of non-recourse funding obligations. For the year ended December 31, 2013, $20.0 million of pre-tax gains were generated from the repurchase of non-recourse funding obligations compared to $38.4 million of pre-tax gains during 2012. In addition, the segment experienced a $2.8 million decrease related to a portfolio of securities designated for trading, a $4.0 million unfavorable variance related to income on called securities, lower core investment income, and higher other operating expenses. These decreases were partially offset by an $11.2 million deferred issue cost write-off recorded during the twelve months ended December 31, 2012.

Operating Revenues

Net investment income for the segment decreased $4.8 million, or 2.9%, for the year ended December 31, 2013, as compared to the year ended December 31, 2012, and net premiums and policy fees decreased $1.4 million, or 7.1%. The decrease in net investment income was primarily the result of a $4.0 million unfavorable variance related to income on called securities, a $2.8 million decrease related to a portfolio of securities designated for trading, and lower core investment income as compared to 2012.

Partially offsetting these decreases was a $14.0 million increase in interest income associated with a reserve financing transaction which is entirely offset by the increase in interest expense as referred to below. Other income decreased $18.7 million for the year ended December 31, 2013 as compared to the year ended December 31, 2012, primarily due to a $18.4 million unfavorable variance related to gains generated on the repurchase of non-recourse funding obligations.

Total Benefits and Expenses

Total benefits and expenses increased $12.4 million for the year ended December 31, 2013, as compared to the year ended December 31, 2012, primarily due to an increase in other operating expenses. The increase in operating expenses reflects a $14.0 million increase in interest expense associated with a reserve financing transaction which was entirely offset by the increase in interest income as referred to above and $5.1 million of acquisition related expenses recorded during the twelve months ended December 31, 2013. These items were partially offset by the impact of an $11.2 million deferred issue cost write-off recorded during the year ended December 31, 2012.

For The Year Ended December 31, 2012 as compared to The Year Ended December 31, 2011

Segment Operating Income (Loss)

Corporate and Other segment operating loss was $3.2 million for the year ended December 31, 2012, as compared to operating income of $5.8 million for the year ended December 31, 2011. The decrease was primarily due to an $11.2 million deferred issue cost write-off for the year ended December 31, 2012 associated with the refinancing of several of our subordinated debt securities and $8.5 million of pre-tax earnings that were recorded during the first quarter of 2011 relating to the settlement of a dispute with respect to certain investments. In addition, the segment experienced a $1.6 million unfavorable variance related to gains on the repurchase of non-recourse funding obligations. Partially offsetting these variances were an $8.6 million favorable variance related to mortgage loan prepayment fee income and a $5.0 million increase in investment income related to closing a reserve financing transaction for the year ended December 31, 2012 as compared to the year ended December 31, 2011.

Operating Revenues

Net investment income for the segment increased $2.3 million, or 1.4%, for the year ended December 31, 2012, as compared to the year ended December 31, 2011, and netpremiums and policy fees decreased $1.8 million, or 8.5%. The increase in net investment income was primarily the result of an $8.6 million increase in mortgage loan prepayment fee income and a $5.0 million increase in investment income related to closing a reserve financing transaction for the year ended December 31, 2012 as compared to the year ended December 31, 2011. Partially offsetting this variance was $8.5 million of pre-tax earnings that were recorded during the first quarter of 2011 relating to the settlement of a dispute with respect to certain investments. Other income decreased $2.2 million for the year ended December 31, 2012 as compared to the year ended December 31, 2011, primarily due to a $1.6 million unfavorable variance related to gains generated on the repurchase of non-recourse funding obligations.

Total Benefits and Expenses

Total benefits and expenses increased $7.3 million for the year ended December 31, 2012, as compared to the year ended December 31, 2011 primarily due to an increase in other operating expenses. The increase in operating expenses reflects an $11.2 million deferred issue cost write-off recorded during the year ended December 31, 2012, partially offset by a $6.4 million favorable variance related to legal expenses.

CONSOLIDATED INVESTMENTS

Certain reclassifications have been made in the previously reported financial statements and accompanying tables to make the prior year amounts comparable to those of the current year. Such reclassifications had no effect on previously reported net income, shareowners' equity, or the totals reflected in the accompanying tables.

Portfolio Description

As of December 31, 2013, our investment portfolio was approximately $43.8 billion. The types of assets in which we may invest are influenced by various state insurance laws which prescribe qualified investment assets. Within the parameters of these laws, we invest in assets giving consideration to such factors as liquidity and capital needs, investment quality, investment return, matching of assets and liabilities, and the overall composition of the investment portfolio by asset type and credit exposure.

The following table presents the reported values of our invested assets:

	As of December 31,			
	2013		2012	
	(Dollars In Thousands)			
Publicly issued bonds (amortized cost: 2013—$26,110,087; 2012—$21,244,173)	$ 27,066,787	61.8%	$ 23,823,244	64.5%
Privately issued bonds (amortized cost: 2013—$7,917,208; 2012—$5,737,151)	8,114,144	18.5	6,264,715	17.0
Fixed maturities	35,180,931	80.3	30,087,959	81.5
Equity securities (cost: 2013—$675,758; 2012—$409,376)	646,027	1.5	411,786	1.1
Mortgage loans	5,486,417	12.5	4,950,201	13.4
Investment real estate	20,413	—	19,816	0.1
Policy loans	1,815,744	4.1	865,391	2.3
Other long-term investments	521,811	1.2	361,837	1.0
Short-term investments	134,146	0.4	217,812	0.6
Total investments	$ 43,805,489	100.0%	$ 36,914,802	100.0%

Included in the preceding table are $2.8 billion and $3.0 billion of fixed maturities and $52.4 million and $118.9 million of short-term investments classified as trading securities as of December 31, 2013 and 2012, respectively. The trading portfolio includes invested assets of $2.8 billion and $3.0 billion as of December 31, 2013 and 2012, respectively, held pursuant to modified coinsurance ("Modco") arrangements under which the economic risks and benefits of the investments are passed to third party reinsurers. Also included above, are $365.0 million and $300.0 million of securities classified as held-to-maturity as of December 31, 2013 and 2012, respectively.

Fixed Maturity Investments

As of December 31, 2013, our fixed maturity investment holdings were approximately $35.2 billion. The approximate percentage distribution of our fixed maturity investments by quality rating is as follows:

Rating	As of December 31, 2013	2012
AAA	12.5%	14.6%
AA	7.0	7.2
A	32.2	30.8
BBB	41.7	39.7
Below investment grade	5.6	6.7
Not rated	1.0	1.0
	100.0%	100.0%

We use various Nationally Recognized Statistical Rating Organizations' ("NRSRO") ratings when classifying securities by quality ratings. When the various NRSRO ratings are not consistent for a security, we use the second-highest convention in assigning the rating. When there are no such published ratings, we assign a rating based on the statutory accounting rating system if such ratings are available.

We do not have material exposure to financial guarantee insurance companies with respect to our investment portfolio. As of December 31, 2013, based upon amortized cost, $40.7 million of our securities were guaranteed either directly or indirectly by third parties out of a total of $33.8 billion fixed maturity securities held by us (0.1% of total fixed maturity securities).

Changes in fair value for our available-for-sale portfolio, net of related DAC, VOBA, and policyholder dividend obligation are charged or credited directly to shareowners' equity, net of tax. Declines in fair value that are other-than-temporary are recorded as realized losses in the consolidated statements of income, net of any applicable non-credit component of the loss, which is recorded as an adjustment to other comprehensive income (loss).

The distribution of our fixed maturity investments by type is as follows:

Type	As of December 31, 2013	2012
	(Dollars In Millions)	
Corporate bonds	$ 27,286.2	$ 22,054.4
Residential mortgage-backed securities	1,756.0	2,197.1
Commercial mortgage-backed securities	1,129.2	1,040.9
Other asset-backed securities	1,160.2	1,133.0
U.S. government-related securities	1,704.1	1,475.8
Other government-related securities	108.5	164.2
States, municipals, and political subdivisions	1,671.7	1,722.6
Other	365.0	300.0
Total fixed income portfolio	$ 35,180.9	$ 30,088.0

Within our fixed maturity investments, we maintain portfolios classified as "available-for-sale", "trading", and "held-to-maturity". We purchase our available-for-sale investments with the intent to hold to maturity by purchasing investments that match future cash flow needs. However, we may sell any of our available-for-sale and trading investments to maintain proper matching of assets and liabilities.

Accordingly, we classified $32.0 billion, or 91.0%, of our fixed maturities as "available-for-sale" as of December 31, 2013. These securities are carried at fair value on our consolidated balance sheets.

Fixed maturities that we have both the positive intent and ability to hold to maturity are classified as "held-to-maturity". We classified $365.0 million, or 1.0% of our fixed maturities as "held-to-maturity" as of December 31, 2013. These securities are carried at amortized cost on our consolidated balance sheets.

Trading securities are carried at fair value and changes in fair value are recorded on the income statement as they occur. Our trading portfolio accounts for $2.8 billion, or 8.0%, of our fixed maturities and $52.4 million of short-term investments as of December 31, 2013. Changes in fair value on the trading portfolio, including gains and losses from sales, are passed to the reinsurers through the contractual terms of the reinsurance arrangements. Partially offsetting these amounts are corresponding changes in the fair value of the embedded derivative associated with the underlying reinsurance arrangement. The total Modco trading portfolio fixed maturities by rating is as follows:

Rating	As of December 31, 2013	As of December 31, 2012
	(Dollars In Thousands)	
AAA	$ 419,866	$ 559,374
AA	266,173	239,834
A	854,020	801,562
BBB	924,554	1,038,873
Below investment grade	324,453	353,089
Total Modco trading fixed maturities	$ 2,789,066	$ 2,992,732

A portion of our bond portfolio is invested in residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS"), and other asset-backed securities (collectively referred to as asset-backed securities or "ABS"). ABS are securities that are backed by a pool of assets. These holdings as of December 31, 2013, were approximately $4.0 billion. Mortgage-backed securities ("MBS") are constructed from pools of mortgages and may have cash flow volatility as a result of changes in the rate at which prepayments of principal occur with respect to the underlying loans. Excluding limitations on access to lending and other extraordinary economic conditions, prepayments of principal on the underlying loans can be expected to accelerate with decreases in market interest rates and diminish with increases in interest rates.

Residential Mortgage-Backed Securities—As of December 31, 2013, our RMBS portfolio was approximately $1.8 billion. Sequential securiti receive payments in order until each class is paid off. Planned amortization class securities ("PACs") pay down according to a schedule. Pass through securities receive principal as principal of the underlying mortgages is received.

The tables below include a breakdown of these holdings by type and rating as of December 31, 2013.

Type	Percentage of Residential Mortgage-Backed Securities
Sequential	26.0%
PAC	38.0
Pass Through	10.8
Other	25.2
	100.0%

Rating	Percentage of Residential Mortgage-Backed Securities
AAA	60.2%
AA	—
A	1.1
BBB	0.6
Below investment grade	38.1
	100.0%

Alt-A Collateralized Holdings

As of December 31, 2013, we held securities with a fair value of $395.0 million, or 0.9% of invested assets, supported by collateral classified as Alt-A. As of December 31, 2012, we held securities with a fair value of $443.6 million supported by collateral classified as Alt-A. We included in this classification certain whole loan securities where such securities had underlying mortgages with a high level of limited loan documentation. As of December 31, 2013, these securities had a fair value of $132.0 million and an unrealized gain of $28.3 million.

The following table includes the percentage of our collateral classified as Alt-A, grouped by rating category, as of December 31, 2013:

Rating	Percentage of Alt-A Securities
BBB	0.2%
Below investment grade	99.8
	100.0%

The following tables categorize the estimated fair value and unrealized gain/(loss) of our mortgage-backed securities collateralized by Alt-A mortgage loans by rating as of December 31, 2013:

Alt-A Collateralized Holdings

	Estimated Fair Value of Security by Year of Security Origination					
Rating	2009 and Prior	2010	2011	2012	2013	Total
	(Dollars In Millions)					
BBB	$ 0.8	$ —	$ —	$ —	$ —	$ 0.8
Below investment grade	394.2	—	—	—	—	394.2
Total mortgage-backed securities collateralized by Alt-A mortgage loans	$ 395.0	$ —	$ —	$ —	$ —	$ 395.0

	Estimated Unrealized Gain (Loss) of Security by Year of Security Origination					
Rating	2009 and Prior	2010	2011	2012	2013	Total
	(Dollars In Millions)					
BBB	$ —	$ —	$ —	$ —	$ —	$ —
Below investment grade	32.9	—	—	—	—	32.9
Total mortgage-backed securities collateralized by Alt-A mortgage loans	$ 32.9	$ —	$ —	$ —	$ —	$ 32.9

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Sub-Prime Collateralized Holdings

As of December 31, 2013, we held securities with a total fair value of $2.0 million that were supported by collateral classified as sub-prime. As of December 31, 2012, we held securities with a fair value of $2.7 million that were supported by collateral classified as sub-prime.

Prime Collateralized Holdings

As of December 31, 2013, we had RMBS collateralized by prime mortgage loans (including agency mortgages) with a total fair value of $1.4 billion, or 3.1%, of total invested assets. As of December 31, 2012, we held securities with a fair value of $1.8 billion of RMBS collateralized by prime mortgage loans (including agency mortgages).

The following table includes the percentage of our collateral classified as prime, grouped by rating category, as of December 31, 2013:

Rating	Percentage of Prime Securities
AAA	77.8%
AA	—
A	1.4
BBB	0.7
Below investment grade	20.1
	100.0%

The following tables categorize the estimated fair value and unrealized gain/(loss) of our mortgage-backed securities collateralized by prime mortgage loans (including agency mortgages) by rating as of December 31, 2013:

Prime Collateralized Holdings

	Estimated Fair Value of Security by Year of Security Origination					
Rating	2009 and Prior	2010	2011	2012	2013	Total
	(Dollars In Millions)					
AAA	$ 280.4	$ 292.0	$ 315.1	$ 24.4	$ 145.3	$ 1,057.2
AA	0.3	—	—	—	—	0.3
A	18.6	—	—	—	—	18.6
BBB	9.0	—	—	—	—	9.0
Below investment grade	273.9	—	—	—	—	273.9
Total mortgage-backed securities collateralized by prime mortgage loans	$ 582.2	$ 292.0	$ 315.1	$ 24.4	$ 145.3	$ 1,359.0

	Estimated Unrealized Gain (Loss) of Security by Year of Security Origination					
Rating	2009 and Prior	2010	2011	2012	2013	Total
	(Dollars In Millions)					
AAA	$ 14.0	$ 6.3	$ 3.3	$ (1.1)	$ (5.0)	$ 17.5

AA	—	—	—	—	—	—
A	0.6	—	—	—	—	0.6
BBB	0.5	—	—	—	—	0.5
Below investment grade	7.2	—	—	—	—	7.2
Total mortgage-backed securities collateralized by prime mortgage loans	$ 22.3	$ 6.3	$ 3.3	$ (1.1)	$ (5.0)	$ 25.8

Commercial Mortgage-Backed Securities—Our CMBS portfolio consists of commercial mortgage-backed securities issued in securitizatio transactions. As of December 31, 2013, the CMBS holdings were approximately $1.1 billion. As of December 31, 2012, the CMBS holdings were approximately $1.0 billion.

The following table includes the percentages of our CMBS holdings, grouped by rating category, as of December 31, 2013:

Rating	Percentage of Commercial Mortgage-Backed Securities
AAA	68.7%
AA	13.8
A	14.5
BBB	3.0
	100.0%

The following tables categorize the estimated fair value and unrealized gain/(loss) of our CMBS as of December 31, 2013:

Commercial Mortgage-Backed Securities

Rating	Estimated Fair Value of Security by Year of Security Origination					
	2009 and Prior	2010	2011	2012	2013	Total
	(Dollars In Millions)					
AAA	$ 64.8	$ 80.2	$ 207.4	$ 294.0	$ 128.9	$ 775.3
AA	16.9	33.0	37.3	40.5	28.4	156.1
A	48.0	31.9	52.8	13.0	18.4	164.1
BBB	33.7	—	—	—	—	33.7
Total commercial mortgage-backed securities	$ 163.4	$ 145.1	$ 297.5	$ 347.5	$ 175.7	$ 1,129.2

Rating	Estimated Unrealized Gain (Loss) of Security by Year of Security Origination					
	2009 and Prior	2010	2011	2012	2013	Total
	(Dollars In Millions)					
AAA	$ 1.2	$ 5.7	$ 14.2	$ (9.4)	$ (5.6)	$ 6.1
AA	0.2	1.8	2.3	(3.5)	(1.8)	(1.0)
A	1.0	0.9	(0.7)	(1.4)	(2.0)	(2.2)
BBB	0.4	—	—	—	—	0.4
Total commercial mortgage-backed securities	$ 2.8	$ 8.4	$ 15.8	$ (14.3)	$ (9.4)	$ 3.3

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Other Asset-Backed Securities—Other asset-backed securities pay down based on cash flow received from the underlying pool of assets, such a receivables on auto loans, student loans, credit cards, etc. As of December 31, 2013, these holdings were approximately $1.2 billion. As of December 31, 2012, these holdings were approximately $1.1 billion.

The following table includes the percentages of our other asset-backed holdings, grouped by rating category, as of December 31, 2013:

Rating	Percentage of Other Asset-Backed Securities
AAA	47.8%
AA	18.7
A	21.0
BBB	0.8
Below investment grade	11.7
	100.0%

The following tables categorize the estimated fair value and unrealized gain/(loss) of our asset-backed securities as of December 31, 2013:

Other Asset-Backed Securities

Rating	Estimated Fair Value of Security by Year of Security Origination					
	2009 and Prior	2010	2011	2012	2013	Total
	(Dollars In Millions)					
AAA	$ 474.2	$ 4.7	$ 24.8	$ 32.1	$ 18.7	$ 554.5
AA	153.7	—	—	63.5	—	217.2
A	63.9	—	51.9	93.8	34.3	243.9
BBB	9.3	—	—	—	—	9.3
Below investment grade	135.3	—	—	—	—	135.3
Total other asset-backed securities	$ 836.4	$ 4.7	$ 76.7	$ 189.4	$ 53.0	$ 1,160.2

Rating	Estimated Unrealized Gain (Loss) of Security by Year of Security Origination					
	2009 and Prior	2010	2011	2012	2013	Total
	(Dollars In Millions)					
AAA	$ (41.1)	$ —	$ 0.7	$ (0.8)	$ (0.4)	$ (41.6)
AA	(15.1)	—	—	(0.3)	—	(15.4)
A	5.7	—	4.2	0.6	(0.5)	10.0
BBB	0.1	—	—	—	—	0.1
Below investment grade	11.2	—	—	—	—	11.2
Total other asset-backed securities	$ (39.2)	$ —	$ 4.9	$ (0.5)	$ (0.9)	$ (35.7)

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We obtained ratings of our fixed maturities from Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Corporation ("S&P"), and/or Fitch Ratings ("Fitch"). If a fixed maturity is not rated by Moody's, S&P, or Fitch, we use ratings from the National Association of Insurance Commissioners ("NAIC"), or we rate the fixed maturity based upon a comparison of the unrated issue to rated issues of the same issuer or rated issues of other issuers with similar risk characteristics. As of December 31, 2013, over 99.0% of our fixed maturities were rated by Moody's, S&P, Fitch, and/or the NAIC.

The industry segment composition of our fixed maturity securities is presented in the following table:

	As of December 31, 2013	% Fair Value	As of December 31, 2012	% Fair Value
	(Dollars In Thousands)			
Banking	$ 2,664,495	7.6%	$ 2,316,051	7.7%
Other finance	620,544	1.8	346,563	1.2
Electric	3,749,786	10.7	3,782,966	12.6
Natural gas	2,369,185	6.7	2,203,779	7.3
Insurance	2,634,325	7.5	2,541,614	8.4
Energy	1,947,154	5.5	1,821,451	6.1
Communications	1,500,544	4.3	1,260,773	4.2
Basic industrial	1,674,169	4.8	1,293,037	4.3
Consumer noncyclical	3,040,080	8.6	1,738,686	5.8
Consumer cyclical	2,141,961	6.1	942,465	3.1
Finance companies	261,871	0.7	246,114	0.8
Capital goods	1,300,671	3.7	1,066,972	3.5
Transportation	909,574	2.6	670,477	2.2
Other industrial	386,079	1.1	236,002	0.8
Brokerage	627,630	1.8	588,307	2.0
Technology	1,009,357	2.9	845,282	2.8
Real estate	269,378	0.8	119,020	0.4
Other utility	179,346	0.5	34,779	0.1
Commercial mortgage-backed securities	1,129,226	3.2	1,040,896	3.5
Other asset-backed securities	1,160,238	3.3	1,132,943	3.8
Residential mortgage-backed non-agency securities	800,154	2.3	987,035	3.3
Residential mortgage-backed agency securities	955,791	2.7	1,210,098	4.0
U.S. government-related securities	1,704,128	4.8	1,475,816	4.9
Other government-related securities	108,524	0.3	164,222	0.5
State, municipals, and political divisions	1,671,721	4.8	1,722,611	5.7
Other	365,000	0.9	300,000	1.0
Total	$ 35,180,931	100.0%	$ 30,087,959	100.0%

Our investments classified as available-for-sale and trading in debt and equity securities are reported at fair value. Our investments classified as held-to-maturity are reported at amortized cost. As of December 31, 2013, our fixed maturity investments (bonds and redeemable preferred stocks) had a fair value of $35.2 billion, which was 4.1% above amortized cost of $33.8 billion. These assets are invested for terms approximately corresponding to anticipated future benefit payments. Thus, market fluctuations are not expected to adversely affect liquidity.

Market values for private, non-traded securities are determined as follows: 1) we obtain estimates from independent pricing services and 2) we estimate market value based upon a comparison to quoted issues of the same issuer or issues of other issuers with similar terms and risk characteristics. We analyze the independent pricing services valuation methodologies and related inputs, including an assessment of the observability of market inputs. Upon obtaining this information related to market value, management makes a determination as to the appropriate valuation amount.

Mortgage Loans

We invest a portion of our investment portfolio in commercial mortgage loans. As of December 31, 2013, our mortgage loan holdings were approximately $5.5 billion. We have specialized in making loans on credit-oriented commercial properties, credit-anchored strip shopping centers, and apartments. Our underwriting procedures relative to our commercial loan portfolio are based, in our view, on a conservative and disciplined approach. We concentrate on a small number of commercial real estate asset types associated with the necessities of life (retail, multi-family, professional office buildings, and warehouses). We believe these asset types tend to weather economic downturns better than other commercial asset classes in which we have chosen not to participate. We believe this disciplined approach has helped to maintain a relatively low delinquency and foreclosure rate throughout our history. The majority of our mortgage loan portfolio was underwritten and funded by the Company. From time to time, we may acquire loans in conjunction with an acquisition.

During 2013, we acquired previously funded mortgage loans as part of the MONY acquisition with a fair value of $823.3 million as of the acquisition date. These loans were recorded in our balance sheet at the fair value of the mortgage loans on the date of acquisition, October 1, 2013. The acquired loans had an unpaid principal balance of $857.3 million of which we did not expect to collect $11.0 million as of the date of acquisition.

Our commercial mortgage loans are stated at unpaid principal balance, adjusted for any unamortized premium or discount, and net of valuation allowances. Interest income is accrued on the principal amount of the loan based on the loan's contractual interest rate. Amortization of premiums and discounts is recorded using the effective yield method. Interest income, amortization of premiums and discounts, and prepayment fees are reported in net investment income.

We record mortgage loans net of an allowance for credit losses. This allowance is calculated through analysis of specific loans that have indicators of potential impairment based on current information and events. As of December 31, 2013 and 2012, our allowance for mortgage loan credit losses was $3.1 million and $2.9 million, respectively. While our mortgage loans do not have quoted market values, as of December 31, 2013, we estimated the fair value of our mortgage loans to be $5.9 billion (using discounted cash flows from the next call date), which was approximately 7.5% greater than the amortized cost, less any related loan loss reserve.

At the time of origination, our mortgage lending criteria targets that the loan-to-value ratio on each mortgage is 75% or less. We target projected rental payments from credit anchors (i.e., excluding rental payments from smaller local tenants) of 70% of the property's projected operating expenses and debt service.

We also offer a type of commercial mortgage loan under which we will permit a loan-to-value ratio of up to 85% in exchange for a participating interest in the cash flows from the underlying real estate. As of December 31, 2013 and 2012, approximately $666.6 million and $817.3 million, respectively, of our mortgage loans had this participation feature. Cash flows received as a result of this participation feature are recorded as interest income. Exceptions to these loan-to-value measures may be made if we believe the mortgage has an acceptable risk profile. During the year ended December 31, 2013 and 2012, we recognized $17.9 million and $16.1 million of participating mortgage loan income, respectively.

Certain of our mortgage loans have call options or interest rate reset options between 3 and 10 years. However, if interest rates were to significantly increase, we may be unable to exercise the call options or increase the interest rates on our existing mortgage loans commensurate with the significantly increased market rates. Assuming the loans are called at their next call dates, approximately $94.5 million will be due in 2014, $1.2 billion in 2015 through 2019, $511.3 million in 2020 through 2024, and $134.5 million thereafter.

As of December 31, 2013, approximately $15.9 million, or 0.03%, of invested assets consisted of nonperforming, restructured or mortgage loans that were foreclosed and were converted to real estate properties. We do not expect these investments to adversely affect our liquidity or ability to maintain proper matching of assets and liabilities. During the year ended December 31, 2013, certain mortgage loan transactions occurred that were accounted for as troubled debt restructurings under Topic 310 of the Financial Accounting Standards Board ("FASB") ASC. For all mortgage loans, the impact of troubled debt restructurings is generally reflected in our investment balance and in the allowance for mortgage loan credit losses. Transactions accounted for as troubled debt restructurings during the year either involved the modification of payment terms pursuant to bankruptcy proceedings or included acceptance of assets in satisfaction of principal or foreclosure on collateral property, and were the result of agreements between the creditor and the debtor. With respect to the modified loans we expect to collect all amounts due related to these loans as well as expenses incurred as a result of the restructurings. Additionally, there were no material changes to the principal balance of these loans, as a result of restructuring or modifications, which was $3.2 million as of December 31, 2013. During the year a mortgage loan was paid off at a discount, the impact of this transaction resulted in a reduction of $0.5 million in our investments in mortgage loans, net of existing allowances for mortgage loan losses and did not remain on our balance sheets as of December 31, 2013.

Our mortgage loan portfolio consists of two categories of loans: (1) those not subject to a pooling and servicing agreement and (2) those subject to a contractual pooling and servicing agreement. As of December 31, 2013, $3.2 million of mortgage loans not subject to a pooling and servicing agreement were nonperforming or restructured. We foreclosed on three nonperforming loans of $10.5 million during the year ended December 31, 2013.

As of December 31, 2013, $2.2 million of loans subject to a pooling and servicing agreement were nonperforming. None of these nonperforming loans have been restructured during the year ended December 31, 2013. We did not foreclose on any nonperforming loans subject to a pooling and service agreement during the year ended December 31, 2013.

We do not expect these investments to adversely affect our liquidity or ability to maintain proper matching of assets and liabilities.

It is our policy to cease to carry accrued interest on loans that are over 90 days delinquent. For loans less than 90 days delinquent, interest is accrued unless it is determined that the accrued interest is not collectible. If a loan becomes over 90 days delinquent, it is our general policy to initiate foreclosure proceedings unless a workout arrangement to bring the loan current is in place. For loans subject to a pooling and servicing agreement, there are certain additional restrictions and/or requirements related to workout proceedings, and as such, these loans may have different attributes and/or circumstances affecting the status of delinquency or categorization of those in nonperforming status.

Risk Management and Impairment Review

We monitor the overall credit quality of our portfolio within established guidelines. The following table includes our available-for-sale fixed maturities by credit rating as of December 31, 2013:

Rating	Fair Value	Percent of Fair Value
	(Dollars In Thousands)	
AAA	$ 3,973,190	12.4%
AA	2,199,142	6.9
A	10,473,374	32.7
BBB	13,759,933	43.0
Investment grade	30,405,639	95.0
BB	936,674	2.9
B	140,368	0.4
CCC or lower	534,760	1.7
Below investment grade	1,611,802	5.0
Total	$ 32,017,441	100.0%

Not included in the table above are $2.5 billion of investment grade and $333.9 million of below investment grade fixed maturities classified as trading securities and $365.0 million of fixed maturities classified as held-to-maturity.

Limiting bond exposure to any creditor group is another way we manage credit risk. We held no credit default swaps on the positions listed below as of December 31, 2013. The following table includes securities held in our Modco portfolio and summarizes our ten largest maturity exposures to an individual creditor group as of December 31, 2013:

	Fair Value of		
Creditor	Funded Securities	Unfunded Exposures	Total Fair Value
	(Dollars In Millions)		
Berkshire Hathaway Inc.	$ 221.8	$ —	$ 221.8
Comcast Corp.	212.9	—	212.9
General Electric	205.5	—	205.5
Duke Energy Corp.	189.8	—	189.8
Bank of America Corp.	188.2	—	188.2
Wells Fargo & Co	184.8	—	184.8
AT&T Inc.	178.1	—	178.1
Exelon Corp.	168.3	—	168.3
Nextera Energy Inc.	168.2	—	168.2
Morgan Stanley	158.9	0.2	159.1

Determining whether a decline in the current fair value of invested assets is an other-than-temporary decline in value is both objective and subjective, and can involve a variety of assumptions and estimates, particularly for investments that are not actively traded in established markets. We review our positions on a monthly basis for possible credit concerns and review our current exposure, credit enhancement, and delinquency experience.

Management considers a number of factors when determining the impairment status of individual securities. These include the economic condition of various industry segments and geographic locations and other areas of identified risks. Since it is possible for the impairment of one investment to affect other investments, we engage in ongoing risk management to safeguard against and limit any further risk to our investment portfolio. Special attention is given to correlative risks within specific industries, related parties, and business markets.

For certain securitized financial assets with contractual cash flows, including RMBS, CMBS, and other asset-backed securities (collectively referred to as asset-backed securities or "ABS"), GAAP requires us to periodically update our best estimate of cash flows over the life of the security. If the fair value of a securitized financial asset is less than its cost or amortized cost and there has been a decrease in the present value of the expected cash flows since the last revised estimate, an other-than-temporary impairment charge is recognized. Estimating future cash flows is a quantitative and qualitative process that incorporates information received from third party sources along with certain internal assumptions and judgments regarding the future performance of the underlying collateral. Projections of expected future cash flows may change based upon new information regarding the performance of the underlying collateral. In addition, we consider our intent and ability to retain a temporarily depressed security until recovery.

Securities in an unrealized loss position are reviewed at least quarterly to determine if an other-than-temporary impairment is present based on certain quantitative and qualitative factors. We consider a number of factors in determining whether the impairment is other-than-temporary. These include, but are not limited to: 1) actions taken by rating agencies, 2) default by the issuer, 3) the significance of the decline, 4) an assessment of our intent to sell the security (including a more likely than not assessment of whether we will be required to sell the security) before recovering the security's amortized cost, 5) the duration of the decline, 6) an economic analysis of the issuer's industry, and 7) the financial strength, liquidity, and recoverability of the issuer. Management performs a security-by-security review each quarter in evaluating the need for any other-than-temporary impairments. Although no set formula is used in this process, the investment performance, collateral position, and continued viability of the issuer are significant measures considered, along with an analysis regarding our expectations for recovery of the security's entire amortized cost basis through the receipt of future cash flows. Based on our analysis, for the year ended December 31, 2013, we recognized pre-tax other-than-temporary impairments of $22.4 million due to credit-related factors, resulting in a charge to earnings. The $22.4 million of credit losses included $11.5 million of non-credit losses previously recorded in other comprehensive income.

There are certain risks and uncertainties associated with determining whether declines in market values are other-than-temporary. These include significant changes in general economic conditions and business markets, trends in certain industry segments, interest rate fluctuations, rating agency actions, changes in significant accounting estimates and assumptions, commission of fraud, and legislative actions. We continuously monitor these factors as they relate to the investment portfolio in determining the status of each investment.

We have deposits with certain financial institutions which exceed federally insured limits. We have reviewed the creditworthiness of these financial institutions and believe there is minimal risk of a material loss.

Certain European countries have experienced varying degrees of financial stress. Risks from the continued debt crisis in Europe could continue to disrupt the financial markets which could have a detrimental impact on global economic conditions and on sovereign and non-sovereign obligations. There remains considerable uncertainty as to future developments in the European debt crisis and the impact on financial markets.

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The chart shown below includes our non-sovereign fair value exposures in these countries as of December 31, 2013. As of December 31, 2013 we had no unfunded exposure and had no direct sovereign fair value exposure.

Financial Instrument and Country	Non-sovereign Debt Financial	Non-sovereign Debt Non-financial	Total Gross Funded Exposure
	(Dollars In Millions)		
Securities:			
United Kingdom	$ 523.6	$ 824.0	$ 1,347.6
Switzerland	148.8	305.5	454.3
Netherlands	185.8	185.0	370.8
France	97.0	173.2	270.2
Germany	69.2	132.6	201.8
Sweden	155.0	30.5	185.5
Spain	42.6	138.6	181.2
Ireland	10.8	103.7	114.5
Belgium	—	109.2	109.2
Italy	—	99.9	99.9
Norway	12.6	83.4	96.0
Luxembourg	—	71.3	71.3
Total securities	1,245.4	2,256.9	3,502.3
Derivatives:			
Switzerland	12.5	—	12.5
Germany	7.4	—	7.4
United Kingdom	1.1	—	1.1
Total derivatives	21.0	—	21.0
Total securities	$ 1,266.4	$ 2,256.9	$ 3,523.3

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Realized Gains and Losses

The following table sets forth realized investment gains and losses for the periods shown:

	For The Year Ended December 31,			Change	
	2013	2012	2011	2013	2012
	(Dollars In Thousands)				
Fixed maturity gains—sales	$ 69,515	$ 73,074	$ 95,567	$ (3,559)	$ (22,493)
Fixed maturity losses—sales	(6,335)	(5,348)	(15,387)	(987)	10,039
Equity gains—sales	3,276	206	9,194	3,070	(8,988)
Equity losses—sales	—	(251)	—	251	(251)
Impairments on fixed maturity securities	(19,100)	(58,886)	(47,442)	39,786	(11,444)
Impairments on equity securities	(3,347)	—	—	(3,347)	—
Modco trading portfolio	(178,134)	177,986	164,224	(356,120)	13,762
Other	(11,859)	(14,632)	(18,683)	2,773	4,051
Total realized gains (losses)—investments	$ (145,984)	$ 172,149	$ 187,473	$ (318,133)	$ (15,324)
Derivatives related to variable annuity contracts:					
Interest rate futures—VA	$ (31,216)	$ 21,138	$ 164,221	$ (52,354)	$ (143,083)
Equity futures—VA	(52,640)	(50,797)	(30,061)	(1,843)	(20,736)
Currency futures—VA	(469)	(2,763)	2,977	2,294	(5,740)
Volatility futures—VA	—	(132)	—	132	(132)
Variance swaps—VA	(11,310)	(11,792)	(239)	482	(11,553)
Equity options—VA	(95,022)	(37,370)	(15,051)	(57,652)	(22,319)
Volatility options—VA	(115)	—	—	(115)	—
Interest rate swaptions—VA	1,575	(2,260)	—	3,835	(2,260)
Interest rate swaps—VA	(157,408)	3,264	7,718	(160,672)	(4,454)
Credit default swaps—VA	—	—	(7,851)	—	7,851
Embedded derivative—GMWB	325,497	(22,120)	(127,537)	347,617	105,417
Total derivatives related to variable annuity contracts	(21,108)	(102,832)	(5,823)	81,724	(97,009)
Derivatives related to FIA contracts:					
Embedded derivative—FIA	(942)	—	—	(942)	—
Equity futures—FIA	173	—	—	173	—
Volatility futures—FIA	(5)	—	—	(5)	—
Equity options—FIA	1,866	—	—	1,866	—
Total derivatives related to FIA contracts	1,092	—	—	1,092	—
Embedded derivative—Modco reinsurance treaties	205,176	(132,816)	(134,340)	337,992	1,524
Interest rate swaps	2,985	(87)	(11,264)	3,072	11,177
Interest rate caps	—	(2,666)	(2,801)	2,666	135
Credit default swaps	—	—	(548)	—	548
Other derivatives	(14)	(79)	(475)	65	396
Total realized gains (losses)—derivatives	$ 188,131	$ (238,480)	$ (155,251)	$ 426,611	$ (83,229)

Realized gains and losses on investments reflect portfolio management activities designed to maintain proper matching of assets and liabilities and to enhance long-term investment portfolio performance. The change in net realized investment gains (losses), excluding impairments and Modco trading portfolio

activity during the year ended December 31, 2013, primarily reflects the normal operation of our asset/liability program within the context of the changing interest rate and spread environment, as well as tax planning strategies designed to utilize capital loss carryforwards.

From time to time, we are required to post and obligated to return collateral related to derivative transactions. As of December 31, 2013, we had posted cash and securities (at fair value) as collateral of approximately $102.3 million and $51.0 million, respectively. As of December 31, 2013, we received $10.7 million of cash as collateral. We do not net the collateral posted or received with the fair value of the derivative financial instruments for reporting purposes.

Realized losses are comprised of both write-downs of other-than-temporary impairments and actual sales of investments. For the year ended December 31, 2013, we recognized pre-tax other-than-temporary impairments of $22.4 million due to credit-related factors, resulting in a charge to earnings. Additionally, we recognized $11.5 million of non-credit losses previously recorded in other comprehensive income were recorded in earnings as credit losses. For the year ended December 31, 2012, we recognized pre-tax other-than-temporary impairments of $58.9 million. These other-than-temporary impairments resulted from our analysis of circumstances and our belief that credit events, loss severity, changes in credit enhancement, and/or other adverse conditions of the respective issuers have caused, or will lead to, a deficiency in the contractual cash flows related to these investments. These other-than-temporary impairments, net of Modco recoveries, are presented in the chart below:

	For The Year Ended December 31,	
	2013	2012
	(Dollars In Millions)	
Alt-A MBS	$ 8.5	$ 9.2
Other MBS	6.2	17.0
Corporate bonds	4.3	32.7
Sub-prime bonds	—	—
Equities	3.4	—
Total	$ 22.4	$ 58.9

As previously discussed, management considers several factors when determining other-than-temporary impairments. Although we purchase securities with the intent to hold them until maturity, we may change our position as a result of a change in circumstances. Any such decision is consistent with our classification of all but a specific portion of our investment portfolio as available-for-sale. For the year ended December 31, 2013, we sold securities in an unrealized loss position with a fair value of $398.2 million. For such securities, the proceeds, realized loss, and total time period that the security had been in an unrealized loss position are presented in the table below:

	Proceeds	% Proceeds	Realized Loss	% Realized Loss
	(Dollars In Thousands)			
<= 90 days	$ 321,478	80.7%	$ (2,118)	33.4%
>90 days but <= 180 days	31,936	8.0	(945)	14.9
>180 days but <= 270 days	22	—	(2)	—
>270 days but <= 1 year	6,962	1.7	(9)	0.1
>1 year	37,847	9.6	(3,261)	51.6
Total	$ 398,245	100.0%	$ (6,335)	100.0%

For the year ended December 31, 2013, we sold securities in an unrealized loss position with a fair value (proceeds) of $398.2 million. The loss realized on the sale of these securities was $6.3 million. The Company made the decision to exit these holdings in conjunction with our overall asset liability management process.

For the year ended December 31, 2013, we sold securities in an unrealized gain position with a fair value of $2.3 billion. The gain realized on the sale of these securities was $72.8 million.

The $11.9 million of other realized losses recognized for the year ended December 31, 2013, consists of the increase in the mortgage loan reserves of $0.3 million, mortgage loan losses of $9.8 million, real estate losses of $2.0 million, and partnership gains of $0.2 million.

For the year ended December 31, 2013, net losses of $178.1 million primarily related to changes in fair value on our Modco trading portfolios were included in realized gains and losses. Of this amount, approximately $29.7 million of gains were realized through the sale of certain securities, which will be reimbursed to our reinsurance partners over time through the reinsurance settlement process for this block of business. The Modco embedded derivative associated with the trading portfolios had realized pre-tax gains of $205.2 million during the year ended December 31, 2013. These gains were primarily the result of higher interest rates.

Realized investment gains and losses related to derivatives represent changes in their fair value during the period and termination gains/(losses) on those derivatives that were closed during the period.

We use equity, interest rate, currency, and volatility futures to mitigate the risk related to certain guaranteed minimum benefits, including GMWB, within our VA products. In general, the cost of such benefits varies with the level of equity and interest rate markets, foreign currency levels, and overall volatility. The equity futures resulted in net pre-tax losses of $52.6 million, interest rate futures resulted in pre-tax losses of $31.2 million, and currency futures resulted in net pre-tax losses of $0.5 million for the year ended December 31, 2013, respectively. No volatility future positions were held during the year ended December 31, 2013.

We also use equity options, variance swaps, and volatility options to mitigate the risk related to certain guaranteed minimum benefits, including GMWB, within our VA products. In general, the cost of such benefits varies with the level of equity markets and overall volatility. The equity options resulted in net pre-tax losses of $95.0 million, the variance swaps resulted in a net pre-tax loss of $11.3 million, and the volatility options resulted in net pre-tax losses of $0.1 million for year ended December 31, 2013. As of December 31, 2013, we did not hold any volatility options.

We use interest rate swaps and interest rate swaptions to mitigate the risk related to certain guaranteed minimum benefits, including GMWB, within our VA products. The interest rate swaps resulted in net pre-tax losses of $157.4 million and interest rate swaptions resulted in a net pre-tax gain of $1.6 million for year ended December 31, 2013.

The GMWB rider embedded derivative on variable deferred annuities, with a GMWB rider, had net realized gains of $325.5 million for the year ended December 31, 2013. The gain was primarily the result of favorable market returns during 2013.

We use certain interest rate swaps to mitigate the price volatility of fixed maturities. These positions resulted in net pre-tax gains of $3.0 million for the year ended December 31, 2013. The pre-tax gains were primarily the result of $0.5 million in realized gains due to terminations and interest settlements and $2.5 million in unrealized gains during the year ended December 31, 2013.

We purchased interest rate caps during 2011, to mitigate our credit risk with respect to our LIBOR exposure and the potential impact of European financial market distress. These caps resulted in immaterial pre-tax losses for the year ended December 31, 2013. As of December 31, 2013, we did not hold any interest rate caps.

We also use various swaps and other types of derivatives to mitigate risk related to other exposures. These contracts generated net pre-tax losses that were immaterial for the year ended December 31, 2013.

We recognized pre-tax losses of $0.9 million for the year ended December 31, 2013 related to the embedded derivative on the FIA product. We use certain equity options as well as equity and volatility futures to mitigate certain equity market risks associated with the FIA. For the year ended December 31, 2013, we recognized pre-tax gains of $2.0 million related to these derivatives.

Unrealized Gains and Losses—Available-for-Sale Securities

The information presented below relates to investments at a certain point in time and is not necessarily indicative of the status of the portfolio at any time after December 31, 2013, the balance sheet date. Information about unrealized gains and losses is subject to rapidly changing conditions, including volatility of financial markets and changes in interest rates. Management considers a number of factors in determining if an unrealized loss is other-than-temporary, including the expected cash to be collected and the intent, likelihood, and/or ability to hold the security until recovery. Consistent with our long-standing practice, we do not utilize a "bright line test" to determine other-than-temporary impairments. On a quarterly basis, we perform an analysis on every security with an unrealized loss to determine if an other-than-temporary impairment has occurred. This analysis includes reviewing several metrics including collateral, expected cash flows, ratings, and liquidity. Furthermore, since the timing of recognizing realized gains and losses is largely based on management's decisions as to the timing and selection of investments to be sold, the tables and information provided below should be considered within the context of the overall unrealized gain/(loss) position of the portfolio. We had an overall net unrealized gain of $1.1 billion, prior to tax and DAC and VOBA offsets, as of December 31, 2013, and an overall net unrealized gain of$3.1 billion as of December 31, 2012.

For fixed maturity and equity securities held that are in an unrealized loss position as of December 31, 2013, the fair value, amortized cost, unrealized loss, and total time period that the security has been in an unrealized loss position are presented in the table below:

	Fair Value	% Fair Value	Amortized Cost	% Amortized Cost	Unrealized Loss	% Unrealized Loss
	(Dollars In Thousands)					
<= 90 days	$ 6,076,104	55.8%	$ 6,254,355	54.4%	$(178,251)	29.5%
>90 days but <= 180 days	1,697,588	15.6	1,791,648	15.6	(94,060)	15.6
>180 days but <= 270 days	1,882,896	17.3	2,072,355	18.0	(189,459)	31.3
>270 days but <= 1 year	216,525	2.0	244,521	2.1	(27,996)	4.6
>1 year but <= 2 years	508,208	4.7	572,201	5.0	(63,993)	10.6
>2 years but <= 3 years	76,003	0.7	84,645	0.7	(8,642)	1.4
>3 years but <= 4 years	22,337	0.2	26,736	0.2	(4,399)	0.7
>4 years but <= 5 years	45,225	0.4	49,974	0.4	(4,749)	0.8
>5 years	370,833	3.3	403,900	3.6	(33,067)	5.5
Total	$10,895,719	100.0%	$11,500,335	100.0%	$(604,616)	100.0%

The majority of the unrealized loss as of December 31, 2013 for both investment grade and below investment grade securities is attributable to a widening in credit and mortgage spreads for certain securities. The negative impact of spread levels for certain securities was partially offset by lower treasury yield levels and the associated positive effect on security prices. Spread levels have improved since December 31, 2012. However, certain types of securities, including tranches of RMBS and ABS, continue to be priced at a level which has caused the unrealized losses noted above. We believe spread levels on these RMBS and ABS are largely due to market perceived uncertainties regarding future performance of the underlying mortgage loans and/or assets.

As of December 31, 2013, the Barclays Investment Grade Index was priced at 112.9 bps versus a 10 year average of 164.4 bps. Similarly, th Barclays High Yield Index was priced at 427.8 bps versus a 10 year average of 602.7 bps. As of December 31, 2013, the five, ten, and thirty-year U.S Treasury obligations were trading at levels of 1.743%, 3.021%, and 3.969%, as compared to 10 year averages of 2.695%, 3.493%, and 4.220%, respectively.

As of December 31, 2013, 88.8% of the unrealized loss was associated with securities that were rated investment grade. We have examined the performance of the underlying collateral and cash flows and expect that our investments will continue to perform in accordance with their contractual terms. Factors such as credit enhancements within the deal structures and the underlying collateral performance/characteristics support the recoverability of the investments. Based on the factors discussed, we do not consider these unrealized loss positions to be other-than-temporary. However, from time to time, we may sell securities in the ordinary course of managing our portfolio to meet diversification, credit quality, yield enhancement, asset/liability management, and liquidity requirements.

Expectations that investments in mortgage-backed and asset-backed securities will continue to perform in accordance with their contractual terms are based on assumptions a market participant would use in determining the current fair value. It is reasonably possible that the underlying collateral of these investments will perform worse than current market expectations and that such an event may lead to adverse changes in the cash flows on our holdings of these types of securities. This could lead to potential future write-downs within our portfolio of mortgage-backed and asset-backed securities. Expectations that our investments in corporate securities and/or debt obligations will continue to perform in accordance with their contractual terms are based on evidence gathered through our normal credit surveillance process. Although we do not anticipate such events, it is reasonably possible that issuers of our investments in corporate securities will perform worse than current expectations. Such events may lead us to recognize potential future write-downs within our portfolio of corporate securities. It is also possible that such unanticipated events would lead us to dispose of those certain holdings and recognize the effects of any such market movements in our financial statements.

As of December 31, 2013, there were estimated gross unrealized losses of $11.3 million related to our mortgage-backed securities collateralized by Alt-A mortgage loans. Gross unrealized losses in our securities collateralized by Alt-A residential mortgage loans as of December 31, 2013, were primarily the result of continued widening spreads, representing marketplace uncertainty arising from higher defaults in Alt-A residential mortgage loans and rating agency downgrades of securities collateralized by Alt-A residential mortgage loans. As of December 31, 2013, we reviewed the performance of the underlying collateral supporting these securities and determined that the expected cash flows were in line with the valuation. As such, we believe unrealized losses as of December 31, 2013 were temporary in nature.

We have no material concentrations of issuers or guarantors of fixed maturity securities. The industry segment composition of all securities in an unrealized loss position held as of December 31, 2013, is presented in the following table:

	Fair Value	% Fair Value	Amortized Cost	% Amortized Cost	Unrealized Loss	% Unrealized Loss
			(Dollars In Thousands)			
Banking	$ 689,749	6.3%	$ 738,947	6.4%	$ (49,198)	8.1%
Other finance	215,443	2.0	229,229	2.0	(13,786)	2.3
Electric	795,462	7.3	837,957	7.3	(42,495)	7.0
Natural gas	481,564	4.4	512,106	4.5	(30,542)	5.1
Insurance	464,275	4.3	489,487	4.3	(25,212)	4.2
Energy	335,157	3.1	349,894	3.0	(14,737)	2.4
Communications	362,081	3.3	396,156	3.4	(34,075)	5.6
Basic industrial	501,296	4.6	532,152	4.6	(30,856)	5.1
Consumer noncyclical	1,451,719	13.3	1,524,913	13.3	(73,194)	12.1
Consumer cyclical	983,621	9.0	1,020,361	8.9	(36,740)	6.1
Finance companies	25,405	0.2	26,603	0.2	(1,198)	0.2
Capital goods	528,881	4.9	545,555	4.7	(16,674)	2.8
Transportation	302,849	2.8	317,294	2.8	(14,445)	2.4
Other industrial	196,755	1.8	206,370	1.8	(9,615)	1.6
Brokerage	129,329	1.2	133,623	1.2	(4,294)	0.7
Technology	404,727	3.7	428,152	3.7	(23,425)	3.9
Real estate	123,183	1.1	127,049	1.1	(3,866)	0.6
Other utility	113,160	1.0	117,237	1.0	(4,077)	0.7
Commercial mortgage-backed securities	443,068	4.1	462,773	4.0	(19,705)	3.3
Other asset-backed securities	673,358	6.2	742,906	6.5	(69,548)	11.5
Residential mortgage-backed non-agency securities	307,513	2.8	322,537	2.8	(15,024)	2.5
Residential mortgage-backed agency securities	236,208	2.2	245,748	2.1	(9,540)	1.6
U.S. government-related securities	948,263	8.7	1,002,341	8.7	(54,078)	8.9
Other government-related securities	10,161	0.1	10,162	0.1	(1)	—
States, municipals,						

and political divisions	172,492	1.6	180,783	1.6	(8,291)	1.3
Total	$10,895,719	100.0%	$11,500,335	100.0%	$(604,616)	100.0%

The percentage of our unrealized loss positions, segregated by industry segment, is presented in the following table:

	As of December 31, 2013	2012
Banking	8.1%	10.2%
Other finance	2.3	0.5
Electric	7.0	6.6
Natural gas	5.1	4.1
Insurance	4.2	7.3
Energy	2.4	0.3
Communications	5.6	0.4
Basic industrial	5.1	3.2
Consumer noncyclical	12.1	2.7
Consumer cyclical	6.1	0.8
Finance companies	0.2	1.7
Capital goods	2.8	2.0
Transportation	2.4	—
Other industrial	1.6	0.2
Brokerage	0.7	0.4
Technology	3.9	1.0
Real estate	0.6	—
Other utility	0.7	—
Commercial mortgage-backed securities	3.3	0.4
Other asset-backed securities	11.5	43.9
Residential mortgage-backed non-agency securities	2.5	13.7
Residential mortgage-backed agency securities	1.6	—
U.S. government-related securities	8.9	0.4
Other government-related securities	—	—
States, municipals, and political divisions	1.3	0.2
Total	100.0%	100.0%

The range of maturity dates for securities in an unrealized loss position as of December 31, 2013, varies, with 9.0% maturing in less than 5 years, 34.8% maturing between 5 and 10 years, and 56.2%

maturing after 10 years. The following table shows the credit rating of securities in an unrealized loss position as of December 31, 2013:

S&P or Equivalent Designation	Fair Value	% Fair Value	Amortized Cost	% Amortized Cost	Unrealized Loss	% Unrealized Loss
			(Dollars In Thousands)			
AAA/AA/A	$ 6,071,816	55.7%	$ 6,391,626	55.6%	$(319,810)	52.9%
BBB	4,025,541	36.9	4,242,425	36.9	(216,884)	35.9
Investment grade	10,097,357	92.6	10,634,051	92.5	(536,694)	88.8
BB	319,117	2.9	350,906	3.1	(31,789)	5.3
B	93,883	1.0	105,255	0.9	(11,372)	1.9
CCC or lower	385,362	3.5	410,123	3.5	(24,761)	4.0
Below investment grade	798,362	7.4	866,284	7.5	(67,922)	11.2
Total	$10,895,719	100.0%	$11,500,335	100.0%	$(604,616)	100.0%

As of December 31, 2013, we held a total of 1,047 positions that were in an unrealized loss position. Included in that amount were 123 positions of below investment grade securities with a fair value of $798.4 million that were in an unrealized loss position. Total unrealized losses related to below investment grade securities were $67.9 million, of which $33.0 million had been in an unrealized loss position for more than twelve months. Below investment grade securities in an unrealized loss position were 1.8% of invested assets.

As of December 31, 2013, securities in an unrealized loss position that were rated as below investment grade represented 7.4% of the total fair value and 11.2% of the total unrealized loss. We have the ability and intent to hold these securities to maturity. After a review of each security and its expected cash flows, we believe the decline in market value to be temporary. As of December 31, 2013, total unrealized losses for all securities in an unrealized loss position for more than twelve months were $114.8 million. A widening of specific credit spreads is estimated to account for unrealized losses of $163.5 million, with changes in treasury rates offsetting this loss by an estimated $48.7 million.

The following table includes the fair value, amortized cost, unrealized loss, and total time period that the security has been in an unrealized loss position for all below investment grade securities as of December 31, 2013:

	Fair Value	% Fair Value	Amortized Cost	% Amortized Cost	Unrealized Loss	% Unrealized Loss
			(Dollars In Thousands)			
<= 90 days	$175,206	21.9%	$ 188,341	21.7%	$ (13,135)	19.3%
>90 days but <= 180 days	189,037	23.7	202,108	23.3	(13,071)	19.2
>180 days but <= 270 days	51,308	6.4	58,560	6.8	(7,252)	10.7
>270 days but <= 1 year	14,478	1.8	15,928	1.8	(1,450)	2.1
>1 year but <= 2 years	40,147	5.0	44,146	5.1	(3,999)	5.9
>2 years but <= 3 years	56,767	7.1	64,159	7.4	(7,392)	10.9
>3 years but <= 4 years	7,353	0.9	8,077	0.9	(724)	1.1
>4 years but <=						

5 years	45,199	5.7	49,906	5.8	(4,707)	6.9
>5 years	218,867	27.5	235,059	27.2	(16,192)	23.9
Total	$798,362	100.0%	$ 866,284	100.0%	$ (67,922)	100.0%

The majority of our RMBS holdings as of December 31, 2013, were super senior or senior bonds in the capital structure. Our total non-agency portfolio has a weighted-average life of 5.41 years. The following table categorizes the weighted-average life for our non-agency portfolio, by category of material holdings, as of December 31, 2013:

Non-agency portfolio	Weighted-Average Life
Prime	5.84
Alt-A	4.68
Sub-prime	5.50

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Liquidity refers to a company's ability to generate adequate amounts of cash to meet its needs. We meet our liquidity requirements primarily through positive cash flows from our operating subsidiaries. Primary sources of cash from the operating subsidiaries are premiums, deposits for policyholder accounts, investment sales and maturities, and investment income. Primary uses of cash include benefit payments, withdrawals from policyholder accounts, investment purchases, policy acquisition costs, interest payments, and other operating expenses. We believe that we have sufficient liquidity to fund our cash needs under normal operating scenarios.

In the event of significant unanticipated cash requirements beyond our normal liquidity needs, we have additional sources of liquidity available depending on market conditions and the amount and timing of the liquidity need. These additional sources of liquidity include cash flows from operations, the sale of liquid assets, accessing our credit facility, and other sources described herein.

Our decision to sell investment assets could be impacted by accounting rules, including rules relating to the likelihood of a requirement to sell securities before recovery of our cost basis. Under stressful market and economic conditions, liquidity may broadly deteriorate which could negatively impact our ability to sell investment assets. If we require on short notice significant amounts of cash in excess of normal requirements, we may have difficulty selling investment assets in a timely manner, be forced to sell them for less than we otherwise would have been able to realize, or both.

While we anticipate that the cash flows of our operating subsidiaries will be sufficient to meet our investment commitments and operating cash needs in a normal credit market environment, we recognize that investment commitments scheduled to be funded may, from time to time, exceed the funds then available. Therefore, we have established repurchase agreement programs for certain of our insurance subsidiaries to provide liquidity when needed. We expect that the rate received on our investments will equal or exceed our borrowing rate. Under this program, we may, from time to time, sell an investment security at a specific price and agree to repurchase that security at another specified price at a later date. These borrowings are for a term less than ninety days. The market value of securities to be repurchased is monitored and collateral levels are adjusted where appropriate to protect the counterparty against credit exposure. The agreements provide for net settlement in the event of default or on termination of the agreements. As of December 31, 2013, the fair value of securities pledged under the repurchase program was $384.4 million and the repurchase obligation of $350.0 million was included in our consolidated balance sheets (at an average borrowing rate of 10 basis points). During 2013, the maximum balance outstanding at any one point in time related to these programs was $815.0 million. The average daily balance was $496.9 million (at an average borrowing rate of 11 basis points) during the year ended December 31, 2013. As of December 31, 2012, we had a $150.0 million outstanding balance related to such borrowings. During 2012, the maximum balance outstanding at any one point in time related to these programs was $425.0 million. The average daily balance was $266.3 million (at an average borrowing rate of 14 basis points) during the year ended December 31, 2012.

Additionally, we may, from time to time, sell short-duration stable value products to complement our cash management practices. Depending on market conditions, we may also use securitization transactions involving our commercial mortgage loans to increase liquidity for the operating subsidiaries.

Credit Facility

We have access to a Credit Facility that provides the ability to borrow on an unsecured basis up to an aggregate principal amount of $750 million. We have the right in certain circumstances to request that the commitment under the Credit Facility be increased up to a maximum principal amount of $1.0 billion. Balances outstanding under the Credit Facility accrue interest at a rate equal to, at the option of the Borrowers, (i) LIBOR plus a spread based on the ratings of our senior unsecured long-term debt ("Senior Debt"), or (ii) the sum of (A) a rate equal to the highest of (x) the Administrative Agent's prime rate, (y) 0.50% above the Federal Funds rate, or (z) the one-month LIBOR plus 1.00% and (B) a spread based on the ratings of our Senior Debt. The Credit Facility also provides for a facility fee at a rate, currently 0.175%, that varies with the ratings of our Senior Debt and that is calculated on the aggregate amount of commitments under the Credit Facility, whether used or unused. The maturity date on the Credit Facility is July 17, 2017. There was an outstanding balance of$485.0 million at an interest rate of LIBOR plus 1.20% under the Credit Facility as of December 31, 2013.

Sources and Use of Cash

Our primary sources of funding are dividends from our operating subsidiaries; revenues from investments, data processing, legal, and management services rendered to subsidiaries; investment income; and external financing. These sources of cash support our general corporate needs including our common stock dividends and debt service. The states in which our insurance subsidiaries are domiciled impose certain restrictions on the insurance subsidiaries' ability to pay us dividends. These restrictions are based in part on the prior year's statutory income and/or surplus. Generally, these restrictions pose no short-term liquidity concerns. We plan to retain portions of the earnings of our insurance subsidiaries in those companies primarily to support their future growth.

We are a member of the FHLB of Cincinnati. FHLB advances provide an attractive funding source for short-term borrowing and for the sale of funding agreements. Membership in the FHLB requires that we purchase FHLB capital stock based on a minimum requirement and a percentage of the dollar amount of advances outstanding. Our borrowing capacity is determined by the following factors: 1) total advance capacity is limited to the lower of 50% of total assets or 100% of mortgage-related assets of Protective Life Insurance Company, our largest insurance subsidiary, 2) ownership of appropriate capital and activity stock to support continued membership in the FHLB and current and future advances, and 3) the availability of adequate eligible mortgage or treasury/agency collateral to back current and future advances.

We held $67.1 million of FHLB common stock as of December 31, 2013, which is included in equity securities. In addition, our obligations under the advances must be collateralized. We maintain control over any such pledged assets, including the right of substitution. As of December 31, 2013, we had $821.8 million of funding agreement-related advances and accrued interest outstanding under the FHLB program.

As of December 31, 2013, we reported approximately $544.8 million (fair value) of Auction Rate Securities ("ARS") in non-Modco portfolios. As of December 31, 2013, 100% of these ARS were rated Aaa/AA+, or higher. While the auction rate market has experienced liquidity constraints, we believe that based on our current liquidity position and our operating cash flows, any lack of liquidity in the ARS market will not have a material impact on our liquidity, financial condition, or cash flows.

All of the auction rate securities held, on a consolidated basis, in non-Modco portfolios as of December 31, 2013, were student loan-backed auction rate securities, for which the underlying collateral is at least 97% guaranteed by the Federal Family Education Loan Program ("FFELP"). As there is no active market for these auction rate securities, we use a valuation model, which incorporates, among other inputs, the contractual terms of each indenture and current valuation information from actively-traded asset-backed securities with comparable underlying assets (i.e. FFELP-backed student loans) and vintage.

We use an income approach valuation model to determine the fair value of our student loan-backed auction rate securities. Specifically, a discounted cash flow method is used. The expected yield on the auction rate securities is estimated for each coupon date, based on the contractual terms on each indenture. The estimated market yield is based on comparable securities with observable yields and an additional yield spread for illiquidity of auction rate securities in the current market.

The auction rate securities held in non-Modco portfolios are classified as a Level 2 or Level 3 valuation. An unrealized loss of $57.2 million and $44.0 million was recorded as of December 31, 2013 and December 31, 2012, respectively, and we have not recorded any other-than-temporary impairment because the underlying collateral for each of the auction rate securities is at least 97% guaranteed by the FFELP and there are subordinate tranches within each of these auction rate security issuances that would support the senior tranches in the event of default. In the event of a complete and total default by all underlying student loans, the principal shortfall, in excess of the 97% FFELP guarantee, would be absorbed by the subordinate tranches. Our credit exposure is to the FFELP guarantee, not the underlying student loans. At this time, we have no reason to believe that the U.S. Department of Education would not honor the FFELP guarantee, if it were necessary. In addition, we do not intend to sell or expect to be required to sell the securities before recovering our amortized cost of these securities. Therefore, we believe that no other-than-temporary impairment has been experienced.

The liquidity requirements of our regulated insurance subsidiaries primarily relate to the liabilities associated with their various insurance and investment products, operating expenses, and income taxes. Liabilities arising from insurance and investment products include the payment of policyholder benefits, as well as cash payments in connection with policy surrenders and withdrawals, policy loans, and obligations to redeem funding agreements.

Our insurance subsidiaries maintain investment strategies intended to provide adequate funds to pay benefits and expected surrenders, withdrawals, loans, and redemption obligations without forced sales of investments. In addition, our insurance subsidiaries hold highly liquid, high-quality short-term investment securities and other liquid investment grade fixed maturity securities to fund our expected operating expenses, surrenders, and withdrawals. As of December 31, 2013, our total cash and invested assets were $44.3 billion. The life insurance subsidiaries were committed as of December 31, 2013, to fund mortgage loans in the amount of $322.8 million.

Our positive cash flows from operations are used to fund an investment portfolio that provides for future benefit payments. We employ a formal asset/liability program to manage the cash flows of our investment portfolio relative to our long-term benefit obligations. Our insurance subsidiaries held approximately $478.6 million in cash and short-term investments as of December 31, 2013, and we held $56.8 million in cash available for general corporate purposes.

The following chart includes the cash flows provided by or used in operating, investing, and financing activities for the following periods:

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
Net cash provided by operating activities	$ 499,550	$ 692,083	$ 620,613
Net cash used in investing activities	(1,044,658)	(549,910)	(791,436)
Net cash provided by (used in) financing activities	642,849	(40,670)	173,696
Total	$ 97,741	$ 101,503	$ 2,873

For The Year Ended December 31, 2013 as compared to The Year Ended December 31, 2012

Net Cash Provided by Operating Activities—Cash flows from operating activities are affected by the timing of premiums received, fees received, investment income, and expenses paid. Principal sources of cash include sales of our products and services. We typically generate positive cash flows from operating activities, as premiums and deposits collected from our insurance and investment products exceed benefit payments and redemptions, and we invest the excess. Accordingly, in analyzing our cash flows we focus on the change in the amount of cash available and used in investing activities.

Net Cash Used in Investing Activities—Changes in cash from investing activities primarily related to the activity in our investment portfolio. In addition, during the year ended December 31, 2013, PLICO completed the acquisition of MONY and the reinsurance of MLOA.

Net Cash Provided by (Used in) Financing Activities—Changes in cash from financing activities included $200.0 million inflows from repurchase program borrowings for the year ended December 31, 2013, as compared to $150.0 million inflows for the year ended December 31, 2012 and $345.1 million inflows of investment product and universal life net activity for the year ended December 31, 2013, as compared to $102.3 million of outflows in the prior year. Net activity related to credit facility repayment of borrowings and subordinated debt issuance resulted in inflows of $185.0 million for the year ended December 31, 2013, as compared to net outflows of $104.2 million for the year ended December 31, 2012. Net repurchases of non-recourse funding obligations equaled $26.1 million during the year ended December 31, 2013, as compared to issuances of $178.2 million during 2012. In addition, we did not repurchase any common stock for the year ended December 31, 2013, as compared to repurchases of $106.2 million for the year ended December 31, 2012.

Capital Resources

To give us flexibility in connection with future acquisitions and other funding needs, we have debt securities, preferred and common stock, and additional preferred securities of special purpose finance subsidiaries registered under the Securities Act of 1933 on a delayed (or shelf) basis. Additionally, the Company has access to the 2012 Credit Facility previously mentioned.

Captive Reinsurance Companies

Golden Gate Captive Insurance Company ("Golden Gate"), a South Carolina special purpose financial captive insurance company and wholly owned subsidiary of PLICO, had three series of Surplus Notes with a total outstanding balance of $800 million as of December 31, 2013. We hold the entire outstanding balance of Surplus Notes. The Series A1 Surplus Notes have a balance of $400 million and accrue interest at 7.375%, the Series A2 Surplus Notes have a balance of $100 million and accrue interest at 8%, and the Series A3 Surplus Notes have a balance of $300 million and accrue interest at 8.45%.

Golden Gate II Captive Insurance Company ("Golden Gate II"), a special purpose financial captive insurance company wholly owned by PLICO, had $575.0 million of outstanding non-recourse funding obligations as of December 31, 2013. These outstanding non-recourse funding obligations were issued to special purpose trusts, which in turn issued securities to third parties. Certain of our affiliates own a portion of these securities. As of December 31, 2013, securities related to $194.9 million of the outstanding balance of the non-recourse funding obligations were held by external parties and securities related to $380.1 million of the non-recourse funding obligations were held by the Company and our affiliates. These non-recourse funding obligations mature in 2052. $275 million of this amount is currently accruing interest at a rate of LIBOR plus 30 basis points. We have experienced higher borrowing costs than were originally expected associated with $300 million of our non-recourse funding obligations supporting the business reinsured to Golden Gate II. These higher costs are the result of a higher spread component of interest expense associated with the illiquidity of the current market for auction rate securities, as well as a rating downgrade of our guarantor by certain rating agencies. The current rate associated with these obligations is LIBOR plus 200 basis points, which is the maximum rate we can be required to pay under these obligations. We have contingent approval to issue an additional $100 million of obligations. Under the terms of the non-recourse funding obligations, the special purpose trusts, as holders of the non-recourse funding obligations, cannot require repayment from us or any of our subsidiaries, other than Golden Gate II, the direct issuer of the non-recourse funding obligations, although we have agreed to indemnify Golden Gate II for certain costs and obligations (which obligations do not include payment of principal and interest on the surplus notes). In addition, we have entered into certain support agreements with Golden Gate II obligating us to make capital contributions or provide support related to certain of Golden Gate II's expenses and in certain circumstances, to collateralize certain of our obligations to Golden Gate II. These support agreements provide that amounts would become payable by the Company to Golden Gate II if its annual general corporate expenses were higher than modeled amounts or if Golden Gate II's investment income on certain investments or premium income was below certain actuarially determined amounts. As of December 31, 2013, no payments are expected to be required under these agreements.

On October 10, 2012, Golden Gate V Vermont Captive Insurance Company ("Golden Gate V") and Red Mountain, LLC ("Red Mountain"), indirect wholly owned subsidiaries of the Company, entered into a 20-year transaction to finance up to $945 million of "AXXX" reserves related to a block of universal life insurance policies with secondary guarantees issued by our direct wholly owned subsidiary PLICO and indirect wholly owned subsidiary, WCL. Golden Gate V issued non-recourse funding obligations to Red Mountain, and Red Mountain issued a note with an initial principal amount of $275 million, increasing to a maximum of $945 million in 2027, to Golden Gate V for deposit to a reinsurance trust supporting Golden Gate V's obligations under a reinsurance agreement with WCL, pursuant to which WCL cedes liabilities relating to the policies of WCL and retrocedes liabilities relating to the policies of PLICO. Through the structure, Hannover Life Reassurance Company of America ("Hannover Re"), the ultimate risk taker in the transaction, provides credit enhancement to the Red Mountain note for the 20-year term in exchange for a fee. The transaction is "non-recourse" to Golden Gate V, Red Mountain, WCL, PLICO and the Company, meaning that none of these companies are liable for the reimbursement of any credit enhancement payments required to be made. As of December 31, 2013, the principal balance of the Red Mountain note was $365 million. In connection with the transaction, we have entered into certain support agreements under which we guarantee or otherwise support certain obligations of Golden Gate V or Red Mountain. Future scheduled capital contributions to prefund credit enhancement fees amount to approximately $144.3 million and will be paid in annual installments through 2031. The support agreements provide that amounts would become payable by us if Golden Gate V's annual general corporate expenses were higher than modeled amounts or in the event write-downs due to other-than-temporary impairments on assets held in certain accounts exceed defined threshold levels. Additionally, we have entered into separate agreements to indemnify Golden Gate V with respect to material adverse changes in non-guaranteed elements of insurance policies reinsured by Golden Gate V, and to guarantee payment of certain fee amounts in connection with the credit enhancement of the Red Mountain note. As of December 31, 2013, no payments are expected to be required under these agreements.

Letters of Credit

Golden Gate III Vermont Captive Insurance Company ("Golden Gate III"), a Vermont special purpose financial captive insurance company and wholly owned subsidiary of PLICO, is party to a Reimbursement Agreement (the "Reimbursement Agreement") with UBS AG, Stamford Branch ("UBS"), as issuing lender. Under the original Reimbursement Agreement, dated April 23, 2010, UBS issued a letter of credit (the "LOC") in the initial amount of $505 million to a trust for the benefit of West Coast Life Insurance Company ("WCL"). The Reimbursement Agreement was subsequently amended and restated effective November 21, 2011 (the "First Amended and Restated Reimbursement Agreement"), to replace the existing LOC with one or more letters of credit from UBS, and to extend the maturity date from April 1, 2018, to April 1, 2022. On August 7, 2013, we entered into a Second Amended and Restated Reimbursement Agreement with UBS (the "Second Amended and Restated Reimbursement Agreement"), which amended and restated the First Amended and Restated Reimbursement Agreement. Under the Second and Amended and Restated Reimbursement Agreement a new LOC in an initial amount of $710 million was issued by UBS in replacement of the existing LOC issued under the First Amended and Restated Reimbursement Agreement. The term of the LOC was extended from April 1, 2022 to October 1, 2023, subject to certain conditions being satisfied including scheduled capital contributions being made to Golden Gate III by one of its affiliates. The maximum stated amount of the LOC was increased from $610 million to $720 million in 2015 if certain conditions are met. The LOC is held in trust for the benefit of WCL, and supports certain obligations of Golden Gate III to WCL under an indemnity reinsurance agreement originally effective April 1, 2010, as amended and restated on November 21, 2011, and as further amended and restated on August 7, 2013 to include anadditional block of policies, and pursuant to which WCL cedes liabilities relating to the policies of WCL and retrocedes liabilities relating to the policies of PLICO. The LOC balance was $715 million as of December 31, 2013. Subject to certain conditions, the amount of the LOC will be periodically increased up to a maximum of $720 million in 2015. The term of the LOC is expected to be approximately 13.5 years from the original issuance date. This transaction is "non-recourse" to WCL, PLICO, and the Company, meaning that none of these companies other than Golden Gate III are liable for reimbursement on a draw of the LOC. We have entered into certain support agreements with Golden Gate III obligating us to make capital contributions or provide support related to certain of Golden Gate III's expenses and in certain circumstances, to collateralize certain of our obligations to Golden Gate III. Future scheduled capital contributions amount to approximately $149.8 million and will be paid in three installments with the last payment occurring in 2019, and these contributions may be subject to potential offset against dividend payments as permitted under the terms of the Second Amended and Restated Reimbursement Agreement. The support agreements provide that amounts would become payable by us to Golden Gate III if its annual general corporate expenses were higher than modeled amounts or if specified catastrophic losses occur during defined time periods with respect to the policies reinsured by Golden Gate III. Pursuant to the terms of an amended and restated letter agreement with UBS, we have continued to guarantee the payment of fees to UBS as specified in the Second and Amended and Restated Agreement. As of December 31, 2013, no payments are expected to be required under these agreements.

Golden Gate IV Vermont Captive Insurance Company ("Golden Gate IV"), a Vermont special purpose financial captive insurance company and wholly owned subsidiary of PLICO, is party to a Reimbursement Agreement with UBS AG, Stamford Branch, as issuing lender. Under the Reimbursement Agreement, dated December 10, 2010, UBS issued an LOC in the initial amount of $270 million to a trust for the benefit of WCL. The LOC balance has increased, in accordance with the terms of the Reimbursement Agreement, during each quarter of 2013 and was $700 million as of December 31, 2013. Subject to certain conditions, the amount of the LOC will be periodically increased up to a maximum of

$790 million in 2016. The term of the LOC is expected to be 12 years from the original issuance date (stated maturity of December 30, 2022). The LOC was issued to support certain obligations of Golden Gate IV to WCL under an indemnity reinsurance agreement, pursuant to which WCL cedes liabilities related to the policies of WCL and retrocedes liabilities relating to the policies of PLICO. This transaction is "non-recourse" to WCL, PLICO, and the Company, meaning that none of these companies other than Golden Gate IV are liable for reimbursement on a draw of the LOC. We have entered into certain support agreements with Golden Gate IV obligating us to make capital contributions or provide support related to certain of Golden Gate IV's expenses and in certain circumstances, to collateralize certain of our obligations to Golden Gate IV. The support agreements provide that amounts would become payable by us to Golden Gate IV if its annual general corporate expenses were higher than modeled amounts or if specified catastrophic losses occur during defined time periods with respect to the policies reinsured by Golden Gate IV. We have also entered into a separate agreement to guarantee the payments of LOC fees under the terms of the Reimbursement Agreement. As of December 31, 2013, no payments are expected to be required under these agreements.

Debt

Our aggregate debt (long-term debt with maturities greater than 1 year, subordinated debt securities, and a revolving line of credit) increased $185.0 million during the year ended December 31, 2013, as compared to a decrease of $104.2 million during the year ended December 31, 2012.

Debt changes during 2013 and 2012, are detailed below:

Description		Amount
		(Dollars In Thousands)
2013		
4.30% Senior Notes (2003), due 2013	$	(250,000)
2012		
7.50% Subordinated Debentures (2001), due 2031	$	(103,093)
7.25% Subordinated Debentures (2002), due 2032		(118,557)
6.25% Subordinated Debentures (2012), due 2042		287,500
6.00% Subordinated Debentures (2012), due 2042		150,000
7.25% Subordinated Debentures (2006), due 2066		(200,000)

Debt increases (reductions) in the revolving line of credit during 2013 and 2012 are detailed below:

Description		Amount	Interest Rate
		(Dollars In Thousands)	
2013			
Revolving line of credit	$	435,000	LIBOR + 1.20%
2012			
Revolving line of credit	$	(120,000)	LIBOR + 1.20%

During the year ended December 31, 2013, we did not repurchase any of our common stock. Future repurchase activity under the program will depend on many factors, including capital levels, liquidity needs, rating agency expectations, and the relative attractiveness of alternative uses for capital.

A life insurance company's statutory capital is computed according to rules prescribed by the NAIC, as modified by state law. Generally speaking, other states in which a company does business defer to the interpretation of the domiciliary state with respect to NAIC rules, unless inconsistent with the other state's regulations. Statutory accounting rules are different from GAAP and are intended to reflect a more conservative view, for example, requiring immediate expensing of policy acquisition costs. The NAIC's risk-based capital requirements require insurance companies to calculate and report information under a risk-based capital formula. The achievement of long-term growth will require growth in the statutory capital of our insurance subsidiaries. The subsidiaries may secure additional statutory capital through various sources, such as retained statutory earnings or our equity contributions. In general, dividends up to specified levels are considered ordinary and may be paid thirty days after written notice to the insurance commissioner of the state of domicile unless such commissioner objects to the dividend prior to the expiration of such period. Dividends in larger amounts are considered extraordinary and are subject to affirmative prior approval by such commissioner. The maximum amount that would qualify as an ordinary dividend to us from our insurance subsidiaries in 2014 is estimated to be $305.1 million.

State insurance regulators and the NAIC have adopted risk-based capital ("RBC") requirements for life insurance companies to evaluate the adequacy of statutory capital and surplus in relation to investment and insurance risks. The requirements provide a means of measuring the minimum amount of statutory surplus appropriate for an insurance company to support its overall business operations based on its size and risk profile. A company's risk-based statutory surplus is calculated by applying factors and performing calculations relating to various asset, premium, claim, expense, and reserve items. Regulators can then measure the adequacy of a company's statutory surplus by comparing it to the RBC. We manage our capital consumption by using the ratio of our total adjusted capital, as defined by the insurance regulators, to our company action level RBC (known as the RBC ratio), also as defined by insurance regulators. As of December 31, 2013, our total adjusted capital and company action level RBC was $3.2 billion and $714.8 million, respectively, providing an RBC ratio of approximately 446%.

Statutory reserves established for VA contracts are sensitive to changes in the equity markets and are affected by the level of account values relative to the level of any guarantees and product design. As a result, the relationship between reserve changes and equity market performance may be non-linear during any given reporting period. Market conditions greatly influence the capital required due to their impact on the valuation of reserves and derivative investments mitigating the risk in these reserves. For example, if the level of the S&P 500 had been 10% lower as of December 31, 2013, we estimate that our RBC ratio would have declined by an insignificant amount. Likewise, if the level of the S&P 500 had been 10% higher as of December 31, 2013, we estimate that our RBC ratio would have increased by an insignificant amount. Risk mitigation activities may result in material and sometimes counterintuitive impacts on statutory surplus and RBC ratio. Notably, as changes in these market and non-market factors occur, both our potential obligation and the related statutory reserves and/or required capital can vary at a non-linear rate.

In an effort to mitigate the equity market risks discussed above relative to our RBC ratio, in the fourth quarter of 2012, we established an indirect wholly owned insurance subsidiary, Shades Creek Captive Insurance Company ("Shades Creek"), to which PLICO has reinsured GMWB and GMDB riders related to its VA contracts. The purpose of Shades Creek is to reduce the volatility in RBC due to non-economic variables included within the RBC calculation.

During 2012, we entered into an intercompany capital support agreement with Shades Creek. The agreement provides through a guarantee that we will contribute assets or purchase surplus notes (or cause an affiliate or third party to contribute assets or purchase surplus notes) in amounts necessary for Shades Creek's regulatory capital levels to equal or exceed minimum thresholds as defined by the agreement. As of December 31, 2013, Shades Creek maintained capital levels in excess of the required minimum thresholds. The maximum potential future payment amount which could be required under the capital support agreement will be dependent on numerous factors, including the performance of equity markets, the level of interest rates, performance of associated hedges, and related policyholder behavior. As of April 1, 2013, Shades Creek became a direct wholly owned insurance subsidiary of the Company.

Our statutory surplus is impacted by credit spreads as a result of accounting for the assets and liabilities on our fixed MVA annuities. Statutory separate account assets supporting the fixed MVA annuities are recorded at fair value. In determining the statutory reserve for the fixed MVA annuities, we are required to use current crediting rates based on U.S. Treasuries. In many capital market scenarios, current crediting rates based on U.S. Treasuries are highly correlated with market rates implicit in the fair value of statutory separate account assets. As a result, the change in the statutory reserve from period to period will likely substantially offset the change in the fair value of the statutory separate account assets. However, in periods of volatile credit markets, actual credit spreads on investment assets may increase or decrease sharply for certain sub-sectors of the overall credit market, resulting in statutory separate account asset market value gains or losses. As actual credit spreads are not fully reflected in current crediting rates based on U.S. Treasuries, the calculation of statutory reserves will not substantially offset the change in fair value of the statutory separate account assets resulting in a change in statutory surplus. The result of this mismatch had a negative impact to our statutory surplus of approximately $57 million on a pre-tax basis for the year ended December 31, 2013, as compared to a positive impact to our statutory surplus of approximately $20 million on a pre-tax basis for the year ended December 31, 2012.

On October 1, 2013 PLICO completed the acquisition contemplated by the master agreement (the "Master Agreement") dated April 10, 2013 and incorporated by reference in this Annual Report on Form 10-K as Exhibit 2. Pursuant to that Master Agreement with AXA Financial, Inc. ("AXA") and AXA Equitable Financial Services, LLC ("AEFS"), PLICO acquired the stock of MONY Life Insurance Company ("MONY") from AEFS and entered into a reinsurance agreement (the "Reinsurance Agreement") pursuant to which it reinsured on a 100% indemnity reinsurance basis certain business (the "MLOA Business") of MONY Life Insurance Company of America ("MLOA"). The aggregate purchase price of MONY was $686 million. The ceding commission for the reinsurance of the MLOA Business was $370 million. Together, the purchase of MONY and reinsurance of the MLOA Business are hereto referred to as (the "MONY acquisition"). The MONY acquisition allowed us to invest our capital and increase the scale of its Acquisitions segment. The MONY acquisition business is comprised of traditional and universal life insurance policies and fixed and variable annuities, most of which were written prior to 2004. See Note 3, *Significant Acquisitions* for additional information.

We cede material amounts of insurance and transfer related assets to other insurance companies through reinsurance. However, notwithstanding the transfer of related assets, we remain liable with respect to ceded insurance should any reinsurer fail to meet the obligations that it assumed. We evaluate the financial condition of our reinsurers and monitor the associated concentration of credit risk. For the year ended December 31, 2013, we ceded premiums to third party reinsurers amounting to $1.4 billion. In addition, we had receivables from reinsurers amounting to $6.2 billion as of December 31, 2013. We review reinsurance receivable amounts for collectability and establish bad debt reserves if deemed appropriate. For additional information related to our reinsurance exposure, see Note 10, *Reinsurance*.

Ratings

Various Nationally Recognized Statistical Rating Organizations ("rating organizations") review the financial performance and condition of insurers, including our insurance subsidiaries, and publish their financial strength ratings as indicators of an insurer's ability to meet policyholder and contract holder obligations. These ratings are important to maintaining public confidence in an insurer's products, its ability to market its products and its competitive position. The following table summarizes the financial

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strength ratings of our significant member companies from the major independent rating organizations as of December 31, 2013:

Ratings	A.M. Best	Fitch	Standard & Poor's	Moody's
Insurance company financial strength rating:				
Protective Life Insurance Company	A+	A	AA-	A2
West Coast Life Insurance Company	A+	A	AA-	A2
Protective Life and Annuity Insurance Company	A+	A	AA-	—
Lyndon Property Insurance Company	A-	—	—	—
MONY Life Insurance Company	A+	A	A+	A2

Our ratings are subject to review and change by the rating organizations at any time and without notice. A downgrade or other negative action by a ratings organization with respect to the financial strength ratings of our insurance subsidiaries could adversely affect sales, relationships with distributors, the level of policy surrenders and withdrawals, competitive position in the marketplace, and the cost or availability of reinsurance.

Rating organizations also publish credit ratings for the issuers of debt securities, including the Company. Credit ratings are indicators of a debt issuer's ability to meet the terms of debt obligations in a timely manner. These ratings are important in the debt issuer's overall ability to access credit markets and other types of liquidity. Ratings are not recommendations to buy our securities or products. A downgrade or other negative action by a ratings organization with respect to our credit rating could limit our access to capital markets, increase the cost of issuing debt, and a downgrade of sufficient magnitude, combined with other negative factors, could require us to post collateral.

LIABILITIES

Many of our products contain surrender charges and other features that are designed to reward persistency and penalize the early withdrawal of funds. Certain stable value and annuity contracts have market-value adjustments that protect us against investment losses if interest rates are higher at the time of surrender than at the time of issue.

As of December 31, 2013, we had policy liabilities and accruals of approximately $31.3 billion. Our interest-sensitive life insurance policies have a weighted average minimum credited interest rate of approximately 3.52%.

Contractual Obligations

We enter into various obligations to third parties in the ordinary course of our operations. However, we do not believe that our cash flow requirements can be assessed solely based upon an analysis of these obligations. The most significant factors affecting our future cash flows are our ability to earn and collect cash from our customers, and the cash flows arising from our investment program. Future cash outflows, whether they are contractual obligations or not, will also vary based upon our future needs. Although some outflows are fixed, others depend on future events. Examples of fixed obligations include our obligations to pay principal and interest on fixed-rate borrowings. Examples of obligations that will vary include obligations to pay interest on variable-rate borrowings and insurance liabilities that depend on future interest rates, market performance, or surrender provisions. Many of our obligations are linked to cash-generating contracts. In addition, our operations involve significant expenditures that are not based upon contractual obligations. These include expenditures for income taxes and payroll.

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As of December 31, 2013, we carried a $103.9 million liability for uncertain tax positions, including interest on unrecognized tax benefits. These amounts are not included in the long-term contractual obligations table because of the difficulty in making reasonably reliable estimates of the occurrence or timing of cash settlements with the respective taxing authorities.

The table below sets forth future maturities of our contractual obligations.

		Payments due by period			
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
	(Dollars In Thousands)				
Debt(1)	$ 2,564,433	$ 235,188	$ 158,189	$ 774,299	$ 1,396,757
Non-recourse funding obligations(2)	2,149,932	27,125	67,325	82,279	1,973,203
Subordinated debt securities(3)	1,435,271	33,283	66,566	66,566	1,268,856
Stable value products(4)	2,653,830	805,647	1,185,208	631,107	31,868
Operating leases(5)	20,705	6,971	9,615	2,141	1,978
Home office lease(6)	81,157	1,236	2,475	77,446	—
Mortgage loan and investment commitments	330,276	330,276	—	—	—
Repurchase program borrowings(7)	350,001	350,001	—	—	—
Policyholder obligations(8)	42,456,393	1,545,424	3,028,180	2,925,307	34,957,482
Total(9)	$ 52,041,998	$ 3,335,151	$ 4,517,558	$ 4,559,145	$ 39,630,144

(1) Debt includes all principal amounts owed on note agreements and expected interest payments due over the term of the notes.

(2) Non-recourse funding obligations include all undiscounted principal amounts owed and expected future interest payments due over the term of the notes. Of the total undiscounted cash flows, $1.9 billion relates to the Golden Gate V transaction. These cash outflows are matched and predominantly offset by the cash inflows Golden Gate V receives from notes issued by a nonconsolidated variable interest entity. The remaining amounts are associated with the Golden Gate II notes held by third parties as well as certain obligations assumed with the acquisition of MONY Life Insurance Company.

(3) Subordinated debt securities includes all principal amounts and interest payments due over the term of the obligations.

(4) Anticipated stable value products cash flows including interest.

(5) Includes all lease payments required under operating lease agreements.

(6) The lease payments shown assume we exercise our option to purchase the building at the end of the lease term. Additionally, the payments due by the periods above were computed based on the terms of the renegotiated lease agreement, which was entered in December 2013.

(7) Represents secured borrowings as part of our repurchase program as well as related interest.

(8) Estimated contractual policyholder obligations are based on mortality, morbidity, and lapse assumptions comparable to our historical experience, modified for recent observed trends. These obligations are based on current balance sheet values and include expected interest crediting, but do not incorporate an expectation of future market growth, or future deposits. Due to the significance of the assumptions used, the amounts presented could materially differ from actual results. As variable separate account obligations are legally insulated from general account obligations, the variable separate account obligations will be fully funded by cash flows from variable separate account assets. We expect to fully fund the general account obligations from cash flows from general account investments.

(9) Excluded from this table are certain pension obligations.

Employee Benefit Plans

We sponsor a defined benefit pension plan covering substantially all of our employees. In addition, we sponsor an unfunded excess benefit plan and provide other postretirement benefits to eligible employees.

We report the net funded status of our pension and other postretirement plans in the consolidated balance sheet. The net funded status represents the differences between the fair value of plan assets and the projected benefit obligation.

Our funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act ("ERISA") plus such additional amounts as we may determine to be appropriate from time to time. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. We may also make additional contributions in future periods to maintain an adjusted funding target attainment percentage ("AFTAP") of at least 80%.

In July of 2012, the Moving Ahead for Progress in the 21st Century Act ("MAP-21"), which includes pension funding stabilization provisions, was signed into law. These provisions establish an interest rate corridor which is designed to stabilize the segment rates used to determine funding requirements from the effects of interest rate volatility. The funding stabilization provisions of MAP-21 reduced our minimum required defined benefit plan contributions for the 2012 and 2013 plan years. Since the funding stabilization provisions of MAP-21 do not apply for Pension Benefit Guaranty Corporation ("PBGC") reporting purposes, we may also make additional contributions in future periods to avoid certain PBGC reporting triggers.

We have not yet determined the total amount we will fund during 2014, but we estimate that the amount will be between $10 million and $20 million.

For a complete discussion of our benefit plans, additional information related to the funded status of our benefit plans, and our funding policy, see Note 15, *Employee Benefit Plans*.

FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB guidance defines fair value for GAAP and establishes a framework for measuring fair value as well as a fair value hierarchy based on the quality of inputs used to measure fair value and enhances disclosure requirements for fair value measurements. The term "fair value" in this document is defined in accordance with GAAP. The standard describes three levels of inputs that may be used to measure fair value. For more information, see Note 2*, Summary of Significant Accounting Policies* and Note 22, *Fair Value of Financial Instruments.*

Available-for-sale securities and trading account securities are recorded at fair value, which is primarily based on actively traded markets where prices are based on either direct market quotes or observed transactions. Liquidity is a significant factor in the determination of the fair value for these securities. Market price quotes may not be readily available for some positions or for some positions within a market sector where trading activity has slowed significantly or ceased. These situations are generally triggered by the market's perception of credit uncertainty regarding a single company or a specific market sector. In these instances, fair value is determined based on limited available market information and other factors, principally from reviewing the issuer's financial position, changes in credit ratings, and cash flows on the investments. As of December 31, 2013, $2.4 billion of available-for-sale and trading account assets, excluding other long-term investments, were classified as Level 3 fair value assets.

The fair values of derivative assets and liabilities include adjustments for market liquidity, counterparty credit quality, and other deal specific factors, where appropriate. The fair values of derivative assets and liabilities traded in the over-the-counter market are determined using quantitative models that require the use of multiple market inputs including interest rates, prices, and indices to generate continuous yield or pricing curves and volatility factors. The predominance of market inputs are actively quoted and can be validated through external sources. Estimation risk is greater for derivative financial instruments that are either option-based or have longer maturity dates where observable market inputs are less readily available or are unobservable, in which case quantitative based extrapolations of rate, price, or index scenarios are used in determining fair values. As of December 31, 2013, the Level 3 fair values of derivative assets and liabilities determined by these quantitative models were $196.1 million and $270.6 million, respectively.

The liabilities of certain of our annuity account balances are calculated at fair value using actuarial valuation models. These models use various observable and unobservable inputs including projected future cash flows, policyholder behavior, our credit rating, and other market conditions. As of December 31, 2013, the Level 3 fair value of these liabilities was $107.0 million.

For securities that are priced via non-binding independent broker quotations, we assess whether prices received from independent brokers represent a reasonable estimate of fair value through an analysis using internal and external cash flow models developed based on spreads and, when available, market indices. We use a market-based cash flow analysis to validate the reasonableness of prices received from independent brokers. These analytics, which are updated daily, incorporate various metrics (yield curves, credit spreads, prepayment rates, etc.) to determine the valuation of such holdings. As a result of this analysis, if we determine there is a more appropriate fair value based upon the analytics, the price received from the independent broker is adjusted accordingly.

Of our $2.6 billion, or 5.2%, of total assets (measured at fair value on a recurring basis) classified as Level 3 assets, $740.8 million were ABS. Of this amount, $572.0 million were student loan related ABS and $168.8 million were non-student loan related ABS. The years of issuance of the ABS are as follows:

Year of Issuance	Amount
	(In Millions)
2002	$ 274.3
2003	109.4
2004	114.0
2006	12.9
2007	100.6
2012	105.0
2013	24.6
Total	$ 740.8

The ABS was rated as follows: $460.9 million were AAA rated, $166.3 million were AA rated, $107.5 million were A rated, $5.2 million were BBB rated, and $0.9 million were less than investment grade. We do not expect any credit losses on these securities related to student loans since the majority of the underlying collateral of the student loan asset-backed securities is guaranteed by the U.S. Department of Education.

MARKET RISK EXPOSURES AND OFF-BALANCE SHEET ARRANGEMENTS

Our financial position and earnings are subject to various market risks including changes in interest rates, the yield curve, spreads between risk-adjusted and risk-free interest rates, foreign currency rates, used vehicle prices, and equity price risks and issuer defaults. We analyze and manage the risks arising from market exposures of financial instruments, as well as other risks, through an integrated asset/liability management process. Our asset/liability management programs and procedures involve the monitoring of asset and liability durations for various product lines; cash flow testing under various interest rate scenarios; and the continuous rebalancing of assets and liabilities with respect to yield, credit and market risk, and cash flow characteristics. These programs also incorporate the use of derivative financial instruments primarily to reduce our exposure to interest rate risk, inflation risk, currency exchange risk, volatility risk, foreign exchange, and equity market risk. See Note 23, *Derivative Financial Instruments* for additional information on our financial instruments.

The primary focus of our asset/liability program is the management of interest rate risk within the insurance operations. This includes monitoring the duration of both investments and insurance liabilities to maintain an appropriate balance between risk and profitability for each product category, and for us as a whole. It is our policy to maintain asset and liability durations within one-half year of one another, although, from time to time, a broader interval may be allowed.

We are exposed to credit risk within our investment portfolio and through derivative counterparties. Credit risk relates to the uncertainty of an obligor's continued ability to make timely payments in accordance with the contractual terms of the instrument or contract. We manage credit risk through established investment policies which attempt to address quality of obligors and counterparties, credit concentration limits, diversification requirements, and acceptable risk levels under expected and stressed scenarios. Derivative counterparty credit risk is measured as the amount owed to us, net of collateral held, based upon current market conditions and potential payment obligations between us and our counterparties. We minimize the credit risk in derivative financial instruments by entering into transactions with high quality counterparties, (A-rated or higher at the time we enter into the contract) and we maintain collateral support agreements with certain of those counterparties.

We utilize a risk management strategy that includes the use of derivative financial instruments. Derivative instruments expose us to credit market and basis risk. Such instruments can change materially in value from period-to-period. We minimize our credit risk by entering into transactions with highly rated counterparties. We manage the market and basis risks by establishing and monitoring limits as to the types and degrees of risk that may be undertaken. We monitor our use of derivatives in connection with our overall asset/liability management programs and procedures. In addition, all derivative programs are monitored by our risk management department.

Derivative instruments that are used as part of our interest rate risk management strategy include interest rate swaps, interest rate futures, interest rate caps and interest rate options. Our inflation risk management strategy involves the use of swaps that require us to pay a fixed rate and receive a floating rate that is based on changes in the Consumer Price Index ("CPI").

We may use the following types of derivative contracts to mitigate our exposure to certain guaranteed benefits related to VA contracts:

- Foreign Currency Futures
- Variance Swaps
- Interest Rate Futures
- Equity Options
- Equity Futures
- Credit Derivatives
- Interest Rate Swaps
- Interest Rate Swaptions
- Volatility Futures
- Volatility Options

We believe our asset/liability management programs and procedures and certain product features provide protection against the effects of changes in interest rates under various scenarios. Additionally, we believe our asset/liability management programs and procedures provide sufficient liquidity to enable us to fulfill our obligation to pay benefits under our various insurance and deposit contracts. However, our asset/liability management programs and procedures incorporate assumptions about the relationship between short-term and long-term interest rates (i.e., the slope of the yield curve), relationships between risk-adjusted and risk-free interest rates, market liquidity, spread movements, implied volatility, policyholder behavior, and other factors, and the effectiveness of our asset/liability management programs and procedures may be negatively affected whenever actual results differ from those assumptions.

The following table sets forth the estimated market values of our fixed maturity investments and mortgage loans resulting from a hypothetical immediate 100 basis point increase in interest rates from levels prevailing as of December 31, 2013 and 2012, and the percent change in fair value the following estimated fair values would represent:

As of December 31,		Amount	Percent Change
		(Dollars In Millions)	
2013			
Fixed maturities	$	32,647.9	(7.2)%
Mortgage loans		5,686.7	(4.4)
2012			
Fixed maturities	$	27,828.4	(7.5)%
Mortgage loans		5,464.9	(4.6)

Estimated fair values were derived from the durations of our fixed maturities and mortgage loans. Duration measures the change in fair value resulting from a change in interest rates. While these estimated fair values provide an indication of how sensitive the fair values of our fixed maturities and mortgage loans are to changes in interest rates, they do not represent management's view of future fair value changes or the potential impact of fluctuations in credit spreads. Actual results may differ from these estimates.

In the ordinary course of our commercial mortgage lending operations, we may commit to provide a mortgage loan before the property to be mortgaged has been built or acquired. The mortgage loan commitment is a contractual obligation to fund a mortgage loan when called upon by the borrower. The commitment is not recognized in our financial statements until the commitment is actually funded. The mortgage loan commitment contains terms, including the rate of interest, which may be different than prevailing interest rates.

As of December 31, 2013 and 2012, we had outstanding mortgage loan commitments of $322.8 million at an average rate of 4.9% and $182.6 million at an average rate of 5.1%, respectively, with estimated fair values of $347.0 million and $210.5 million, respectively (using discounted cash flows from the first call date). The following table sets forth the estimated fair value of our mortgage loan commitments resulting from a hypothetical immediate 100 basis point increase in interest rate levels prevailing as of December 31, 2013 and 2012, and the percent change in fair value the following estimated fair values would represent:

As of December 31,		Amount	Percent Change
		(Dollars In Millions)	
2013	$	330.8	(4.7)%
2012		200.8	(4.6)

The estimated fair values were derived from the durations of our outstanding mortgage loan commitments. While these estimated fair values provide an indication of how sensitive the fair value of our outstanding commitments are to changes in interest rates, they do not represent management's view of future market changes, and actual market results may differ from these estimates.

As previously discussed, we utilize a risk management strategy that involves the use of derivative financial instruments. Derivative instruments expose us to credit and market risk and could result in material changes from period to period. We minimize our credit risk by entering into transactions with highly rated counterparties. We manage the market risk by establishing and monitoring limits as to the types and degrees of risk that may be undertaken. We monitor our use of derivatives in connection with our overall asset/liability management programs and procedures.

As of December 31, 2013, total derivative contracts with a notional amount of $16.0 billion were in a $338.2 million net loss position. Included in the $16.0 billion, is a notional amount of $2.7 billion in a $205.4 million net loss position that relates to our Modco trading portfolio. Also included in the total, is $8.6 billion in a $156.2 million net gain position that relates to our GMWB embedded derivatives and $0.2 billion in a $25.3 million net loss position that relates to our FIA embedded derivatives. As of December 31, 2012, total derivative contracts with a notional amount of $15.8 billion were in a $647.7 million net loss position. We recognized gains of $188.1 million, losses of $238.5 million, and losses of $155.3 million related to derivative financial instruments for the years ended December 31, 2013, 2012, and 2011, respectively.

The following table sets forth the notional amount and fair value of our interest rate risk related derivative financial instruments and the estimated fair value resulting from a hypothetical immediate plus and minus 100 basis points change in interest rates from levels prevailing as of December 31:

			Fair Value Resulting From an Immediate +/- 100 bps Change in the Underlying Reference Interest Rates	
	Notional Amount	Fair Value as of December 31,	+100 bps	-100 bps
	(Dollars In Millions)			
2013				
Futures[1]	$ 322.9	$ (5.2)	$ (21.6)	$ 14.8
Caps	—	—	—	—
Interest Rate Swaptions	625.0	30.3	45.6	17.1
Floating to fixed Swaps[2]	383.0	0.1	7.6	(7.8)
Fixed to floating Swaps[2]	1,230.0	(153.3)	(268.9)	(14.2)
Total	$ 2,560.9	$ (128.1)	$ (237.3)	$ 9.9
2012				
Futures	$ 893.5	$ (14.0)	$ (118.3)	$ 109.8
Caps	3,000.0	—	2.6	—
Interest Rate Swaptions	400.0	11.4	4.3	36.0
Floating to fixed Swaps[2]	308.0	(8.3)	0.9	(19.0)
Fixed to floating Swaps[2]	630.0	(0.2)	(67.8)	83.6
Total	$ 5,231.5	$ (11.1)	$ (178.3)	$ 210.4

(1) Interest rate change scenario subject to floor, based on treasury rates as of December 31, 2013.

(2) Includes an effect for inflation.

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The following table sets forth the notional amount and fair value of our equity futures and options and the estimated fair value resulting from a hypothetical immediate plus and minus ten percentage point change in equity level from levels prevailing as of December 31:

	Notional Amount	Fair Value as of December 31,	Fair Value Resulting From an Immediate +/- 10% Change in the Underlying Reference Index Equity Level +10%	-10%
	(Dollars In Millions)			
2013				
Futures	$ 168.0	$ (6.5)	$ (23.3)	$ 10.3
Options	1,633.5	61.2	43.1	92.3
Total	$ 1,801.5	$ 54.7	$ 19.8	$ 102.6
2012				
Futures	$ 299.9	$ (2.7)	$ (33.0)	$ 27.6
Options	573.7	62.1	46.1	87.4
Total	$ 873.6	$ 59.4	$ 13.1	$ 115.0

The following table sets forth the notional amount and fair value of our currency futures and the estimated fair value resulting from a hypothetical immediate plus and minus ten percentage point change in currency level from levels prevailing as of December 31:

	Notional Amount	Fair Value as of December 31,	Fair Value Resulting From an Immediate +/- 10% Change in the Underlying Reference in Currency Level +10%	-10%
	(Dollars In Millions)			
2013				
Currency futures	$ 132.3	$ (0.5)	$ (13.8)	$ 12.8
2012				
Currency futures	$ 147.9	$ (1.1)	$ (16.0)	$ 13.8

The following table sets forth the notional amount and fair value of our volatility futures and variance swaps and the estimated fair value resulting from a hypothetical immediate plus and minus ten percentage point change in volatility level from levels prevailing as of December 31:

	Notional Amount	Fair Value as of December 31,	Fair Value Resulting From an Immediate +/- 10% Change in the Underlying Reference in Volatility Level	
			+10%	-10%
	(Dollars In Millions)			
2013				
Volatility futures	$ 0.4	$ —	$ —	$ —
Variance swaps	1.5	(1.7)	9.5	(8.8)
Total	$ 1.9	$ (1.7)	$ 9.5	$ (8.8)
2012				
Variance swap	$ 3.2	$ (11.8)	$ 17.7	$ (31.5)

Estimated gains and losses were derived using pricing models specific to derivative financial instruments. While these estimated gains and losses provide an indication of how sensitive our derivative financial instruments are to changes in interest rates, volatility, equity levels, and credit spreads, they do not represent management's view of future market changes, and actual market results may differ from these estimates.

Our stable value contract and annuity products tend to be more sensitive to market risks than our other products. As such, many of these products contain surrender charges and other features that reward persistency and penalize the early withdrawal of funds. Certain stable value and annuity contracts have market-value adjustments that protect us against investment losses if interest rates are higher at the time of surrender than at the time of issue. Additionally, approximately $1.1 billion of our stable value contracts have no early termination rights.

As of December 31, 2013, we had $2.6 billion of stable value product account balances with an estimated fair value of $2.6 billion (using discounted cash flows) and $11.1 billion of annuity account balances with an estimated fair value of $10.6 billion (using discounted cash flows). As of December 31, 2012, we had $2.5 billion of stable value product account balances with an estimated fair value of $2.5 billion (using discounted cash flows) and $10.7 billion of annuity account balances with an estimated fair value of $10.5 billion (using discounted cash flows).

The following table sets forth the estimated fair values of our stable value and annuity account balances resulting from a hypothetical immediate plus and minus 100 basis points change in interest rates from levels prevailing and the percent change in fair value that the following estimated fair values would represent:

As of December 31,	Fair Value as of December 31,	Fair Value Resulting From an Immediate +/- 100 bps Change in the Underlying Reference Interest Rates	
		+100 bps	-100 bps
	(Dollars In Millions)		
2013			
Stable value product account balances	$ 2,559.6	$ 2,518.3	$ 2,600.8
Annuity account balances	10,639.6	10,485.4	10,752.5
2012			
Stable value product account balances	$ 2,510.6	$ 2,472.1	$ 2,549.0
Annuity account balances	10,328.0	10,173.4	10,434.8

Estimated fair values were derived from the durations of our stable value and annuity account balances. While these estimated fair values provide an indication of how sensitive the fair values of our stable value and annuity account balances are to changes in interest rates, they do not represent management's view of future market changes, and actual market results may differ from these estimates.

Certain of our liabilities relate to products whose profitability could be significantly affected by changes in interest rates. In addition to traditional whole life and term insurance, many universal life policies with secondary guarantees that insurance coverage will remain in force (subject to the payment of specified premiums) have such characteristics. These products do not allow us to adjust policyholder premiums after a policy is issued, and most of these products do not have significant account values upon which we credit interest. If interest rates fall, these products could have both decreased interest earnings and increased amortization of deferred acquisition costs, and the converse could occur if interest rates rise.

Impact of Continued Low Interest Rate Environment

Significant changes in interest rates expose us to the risk of not realizing anticipated spreads between the interest rate earned on investments and the interest rate credited to in-force policies and contracts. In addition, certain of our insurance and investment products guarantee a minimum credited interest rate ("MGIR"). In periods of prolonged low interest rates, the interest spread earned may be negatively impacted to the extent our ability to reduce policyholder crediting rates is limited by the guaranteed minimum credited interest rates. Additionally, those policies without account values may exhibit lower profitability in periods of prolonged low interest rates due to reduced investment income.

The table below presents account values by range of current minimum guaranteed interest rates and current crediting rates for our universal life and deferred fixed annuity products:

Credited Rate Summary
As of December 31, 2013

Minimum Guaranteed Interest Rate Account Value	At MGIR	1 - 50 bps above MGIR	More than 50 bps above MGIR	Total
	(Dollars In Millions)			
Universal Life Insurance				
>2% - 3%	$ 43	$ 1,024	$ 1,984	$ 3,051
>3% - 4%	3,109	2,099	150	5,358
>4% - 5%	2,110	15	—	2,125
>5% - 6%	232	—	—	232
Subtotal	5,494	3,138	2,134	10,766
Fixed Annuities				
1%	$ 422	$ 173	$ 461	$ 1,056
>1% - 2%	612	518	279	1,409
>2% - 3%	1,846	308	632	2,786
>3% - 4%	309	—	—	309
>4% - 5%	313	—	—	313
Subtotal	3,502	999	1,372	5,873
Total	$ 8,996	$ 4,137	$ 3,506	$ 16,639
Percentage of Total	54%	25%	21%	100%

The table below presents account values by range of current minimum guaranteed interest rates and current crediting rates for our universal life and deferred fixed annuity products:

Credited Rate Summary
As of December 31, 2012

Minimum Guaranteed Interest Rate Account Value	At MGIR	1 - 50 bps above MGIR	More than 50 bps above MGIR	Total
	(Dollars In Millions)			
Universal Life Insurance				
>2% - 3%	$ 36	$ 1	$ 911	$ 948
>3% - 4%	1,402	649	1,137	3,188
>4% - 5%	2,058	3,069	385	5,512
>5% - 6%	223	—	—	223
Subtotal	3,719	3,719	2,433	9,871
Fixed Annuities				
1%	$ 275	$ 104	$ 477	$ 856
>1% - 2%	570	459	489	1,518
>2% - 3%	1,544	353	892	2,789
>3% - 4%	347	—	—	347
>4% - 5%	240	—	—	240
Subtotal	2,976	916	1,858	5,750
Total	$ 6,695	$ 4,635	$ 4,291	$ 15,621
Percentage of Total	43%	30%	27%	100%

We are active in mitigating the impact of a continued low interest rate environment through product design, as well as adjusting crediting rates on current in-force policies and contracts. We also manage interest rate and reinvestment risks through our asset/liability management process. Our asset/liability management programs and procedures involve the monitoring of asset and liability durations; cash flow testing under various interest rate scenarios; and the regular rebalancing of assets and liabilities with respect to yield, credit and market risk, and cash flow characteristics. These programs also incorporate the use of derivative financial instruments primarily to reduce our exposure to interest rate risk, inflation risk, currency exchange risk, volatility risk, and equity market risk.

Employee Benefit Plans

Pursuant to the accounting guidance related to our obligations to employees under our pension plan and other postretirement benefit plans, we are required to make a number of assumptions to estimate related liabilities and expenses. Our most significant assumptions are those for the discount rate and expected long-term rate of return.

Discount Rate Assumption

The assumed discount rates used to determine the benefit obligations were based on an analysis of future benefits expected to be paid under the plans. The assumed discount rate reflects the interest rate at which an amount that is invested in a portfolio of high-quality debt instruments on the measurement date would provide the future cash flows necessary to pay benefits when they come due.

The following presents our estimates of the hypothetical impact to the December 31, 2013 benefit obligation and to the 2013 benefit cost, associated with sensitivities related to the discount rate assumption:

	Defined Benefit Pension Plan	Other Postretirement Benefit Plans[1]
	(Dollars in Thousands)	
Increase (Decrease) in Benefit Obligation:		
100 basis point increase	$ (23,924)	$ (3,943)
100 basis point decrease	29,772	4,707
Increase (Decrease) in Benefit Cost:		
100 basis point increase	$ (2,897)	$ (288)
100 basis point decrease	3,551	336

(1) Includes excess pension plan, retiree medical plan, and postretirement life insurance plan.

Long-Term Rate of Return Assumption

To determine an appropriate long-term rate of return assumption for our defined benefit pension plan, we obtained 25 year annualized returns for each of the represented asset classes. In addition, we received evaluations of market performance based on the Company's asset allocation as provided by external consultants. A combination of these statistical analytics provided results that the Company utilized to determine an appropriate long-term rate of return assumption.

For our postretirement life insurance plan, we utilized 20 year average and annualized return results on the Barclay's short treasury index to determine an appropriate long-term rate of return assumption.

The following presents our estimates of the hypothetical impact to the 2013 benefit cost, associated with sensitivities related to the long-term rate of return assumption:

	Defined Benefit Pension Plan	Other Postretirement Benefit Plans[(1)]
	(Dollars in Thousands)	
Increase (Decrease) in Benefit Cost:		
100 basis point increase	$ (1,469)	$ (62)
100 basis point decrease	1,469	62

(1) Includes excess pension plan, retiree medical plan, and postretirement life insurance plan.

IMPACT OF INFLATION

Inflation increases the need for life insurance. Many policyholders who once had adequate insurance programs may increase their life insurance coverage to provide the same relative financial benefit and protection. Higher interest rates may result in higher sales of certain of our investment products.

The higher interest rates that have traditionally accompanied inflation could also affect our operations. Policy loans increase as policy loan interest rates become relatively more attractive. As interest rates increase, disintermediation of stable value and annuity account balances and individual life policy cash values may increase. The market value of our fixed-rate, long-term investments may decrease, we may be unable to implement fully the interest rate reset and call provisions of our mortgage loans, and our ability to make attractive mortgage loans, including participating mortgage loans, may decrease. In addition, participating mortgage loan income may decrease. The difference between the interest rate earned on investments and the interest rate credited to life insurance and investment products may also be adversely affected by rising interest rates.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 2, *Summary of Significant Accounting Policies*, to the consolidated financial statements for information regarding recently issued accounting standards.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is included in Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* and Item 8, *Financial Statements and Supplementary Data*.

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Item 8. Financial Statements and Supplementary Data

Index to Consolidated Financial Statements

The following financial statements are located in this report on the pages indicated.

For supplemental quarterly financial information, please see Note 26, *Consolidated Quarterly Results—Unaudited* of the notes to consolidated financial statements included herein.

PROTECTIVE LIFE CORPORATION
CONSOLIDATED STATEMENTS OF INCOME

	For The Year Ended December 31, 2013	2012	2011
	(Dollars In Thousands, Except Per Share Amounts)		
Revenues			
Premiums and policy fees	$ 2,981,651	$ 2,814,278	$ 2,800,140
Reinsurance ceded	(1,377,195)	(1,345,836)	(1,394,675)
Net of reinsurance ceded	1,604,456	1,468,442	1,405,465
Net investment income	1,918,081	1,862,332	1,820,643
Realized investment gains (losses):			
Derivative financial instruments	188,131	(238,480)	(155,251)
All other investments	(123,537)	231,035	234,915
Other-than-temporary impairment losses	(10,941)	(66,188)	(62,332)
Portion recognized in other comprehensive income (before taxes)	(11,506)	7,302	14,890
Net impairment losses recognized in earnings	(22,447)	(58,886)	(47,442)
Other income	394,315	358,563	307,812
Total revenues	3,958,999	3,623,006	3,566,142
Benefits and expenses			
Benefits and settlement expenses, net of reinsurance ceded: (2013—$1,209,783; 2012—$1,228,425; 2011—$1,228,775)	2,479,757	2,326,040	2,233,473
Amortization of deferred policy acquisition costs and value of business acquired	192,898	203,565	264,993
Other operating expenses, net of reinsurance ceded: (2013—$196,311; 2012—$196,709; 2011—$198,888)	695,971	640,430	597,200
Total benefits and expenses	3,368,626	3,170,035	3,095,666
Income before income tax	590,373	452,971	470,476
Income tax expense			
Current	21,855	76,186	9,774
Deferred	175,054	74,333	145,065
Total income tax expense	196,909	150,519	154,839
Net income	393,464	302,452	315,637
Less: Net income attributable to noncontrolling interests	—	—	245
Net income available to PLC's common shareowners[(1)]	$ 393,464	$ 302,452	$ 315,392
Net income available to PLC's common shareowners—basic	$ 4.96	$ 3.73	$ 3.70
Net income available to PLC's common shareowners—diluted	$ 4.86	$ 3.66	$ 3.65
Cash dividends paid per share	$ 0.78	$ 0.70	$ 0.62
Average shares outstanding—basic	79,395,622	81,066,338	85,208,612
Average shares outstanding—diluted	80,925,713	82,723,016	86,475,229

(1) Protective Life Corporation ("PLC")

See Notes to Consolidated Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
Net income	$ 393,464	$ 302,452	$ 315,637
Other comprehensive income (loss):			
Change in net unrealized gains (losses) on investments, net of income tax: (2013—$(673,345); 2012—$392,600; 2011—$400,848)	(1,250,498)	729,120	744,447
Reclassification adjustment for investment amounts included in net income, net of income tax: (2013—$(15,403); 2012—$(3,076); 2011—$(14,671))	(28,606)	(5,719)	(27,261)
Change in net unrealized gains (losses) relating to other-than-temporary impaired investments for which a portion has been recognized in earnings, net of income tax: (2013—$2,472; 2012—$16,281; 2011—$(13,205))	4,591	30,236	(24,524)
Change in accumulated (loss) gain—derivatives, net of income tax: (2013—$395; 2012—$1,108; 2011—$2,382)	734	2,058	4,424
Reclassification adjustment for derivative amounts included in net income, net of income tax: (2013—$822; 2012—$1,120; 2011—$(138))	1,527	2,080	(256)
Change in postretirement benefits liability adjustment, net of income tax: (2013—$15,936; 2012—$(3,498); 2011—$(10,358))	29,596	(6,497)	(19,236)
Total other comprehensive income (loss)	(1,242,656)	751,278	677,594
Comprehensive income (loss)	(849,192)	1,053,730	993,231
Comprehensive income (loss) attributable to noncontrolling interests	—	—	(245)
Total comprehensive income (loss) attributable to Protective Life Corporation	$ (849,192)	$1,053,730	$ 992,986

See Notes to Consolidated Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED BALANCE SHEETS

	As of December 31, 2013	As of December 31, 2012
	(Dollars In Thousands)	
Assets		
Fixed maturities, at fair value (amortized cost: 2013—$33,662,295; 2012—$26,681,324)	$ 34,815,931	$ 29,787,959
Fixed maturities, at amortized cost (fair value: 2013—$335,676; 2012—$319,163)	365,000	300,000
Equity securities, at fair value (cost: 2013—$675,758; 2012—$409,376)	646,027	411,786
Mortgage loans (2013 and 2012 includes $627,731 and $765,520 related to securitizations)	5,486,417	4,950,201
Investment real estate, net of accumulated depreciation (2013—$1,066; 2012—$1,017)	20,413	19,816
Policy loans	1,815,744	865,391
Other long-term investments	521,811	361,837
Short-term investments	134,146	217,812
Total investments	43,805,489	36,914,802
Cash	466,542	368,801
Accrued investment income	465,333	357,368
Accounts and premiums receivable, net of allowance for uncollectible amounts (2013—$4,283; 2012—$4,290)	127,830	85,500
Reinsurance receivables	6,175,115	5,805,401
Deferred policy acquisition costs and value of business acquired	3,584,199	3,239,519
Goodwill	105,463	108,561
Property and equipment, net of accumulated depreciation (2013—$111,579; 2012—$105,789)	52,403	47,607
Other assets	426,677	262,052
Income tax receivable	—	30,827
Assets related to separate accounts		
Variable annuity	12,791,438	9,601,417
Variable universal life	783,618	562,817
Total assets	$ 68,784,107	$ 57,384,672

See Notes to Consolidated Financial Statements

PROTECTIVE LIFE CORPORATION
CONSOLIDATED BALANCE SHEETS

(continued)

	As of December 31,	
	2013	2012
	(Dollars In Thousands)	
Liabilities		
Future policy benefits and claims	$ 29,781,325	$ 21,626,386
Unearned premiums	1,549,815	1,396,026
Total policy liabilities and accruals	31,331,140	23,022,412
Stable value product account balances	2,559,552	2,510,559
Annuity account balances	11,125,253	10,658,463
Other policyholders' funds	1,214,380	566,985
Other liabilities	1,143,371	1,434,604
Income tax payable	12,761	—
Deferred income taxes	1,069,759	1,736,389
Non-recourse funding obligations	562,448	586,000
Repurchase program borrowings	350,000	150,000
Debt	1,585,000	1,400,000
Subordinated debt securities	540,593	540,593
Liabilities related to separate accounts		
Variable annuity	12,791,438	9,601,417
Variable universal life	783,618	562,817
Total liabilities	65,069,313	52,770,239
Commitments and contingencies—Note 12		
Shareowners' equity		
Preferred Stock; $1 par value, shares authorized: 4,000,000; Issued: None		
Common Stock, $.50 par value, shares authorized: 2013 and 2012—160,000,000 shares issued: 2013 and 2012—88,776,960	44,388	44,388
Additional paid-in-capital	606,934	606,369
Treasury stock, at cost (2013—10,199,514; 2012—10,639,467 shares)	(200,416)	(209,840)
Retained earnings	2,769,822	2,437,544
Accumulated other comprehensive income (loss):		
Net unrealized gains (losses) on investments, net of income tax: (2013—$289,908; 2012—$978,656)	538,400	1,817,504
Net unrealized (losses) gains relating to other-than-temporary impaired investments for which a portion has been recognized in earnings, net of income tax: (2013—$325; 2012—$(2,147))	603	(3,988)
Accumulated loss—derivatives, net of income tax: (2013—$(666); 2012—$(1,883))	(1,235)	(3,496)
Postretirement benefits liability adjustment, net of income tax: (2013—$(23,532); 2012—$(39,468))	(43,702)	(73,298)
Total Protective Life Corporation's shareowners' equity	3,714,794	4,615,183
Noncontrolling interest	—	(750)
Total equity	3,714,794	4,614,433
Total liabilities and shareowners' equity	$ 68,784,107	$ 57,384,672

See Notes to Consolidated Financial Statements

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PROTECTIVE LIFE CORPORATION
CONSOLIDATED STATEMENTS OF SHAREOWNERS' EQUITY

	Common Stock	Additional Paid-In-Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Protective Life Corporation's shareowners' equity	Non controlling Interest	Total Equity
	(Dollars In Thousands)							
Balance, December 31, 2010	$ 44,388	$ 586,592	$ (26,072)	$1,928,430	$ 307,850	$ 2,841,188	$ (984)	$ 2,840,204
Net income for 2011				315,392		315,392	245	315,637
Other comprehensive income					677,594	677,594	—	677,594
Comprehensive income for 2011						992,986	245	993,231
Cash dividends ($0.620 per share)				(52,503)		(52,503)	—	(52,503)
Repurchase of common stock			(82,671)			(82,671)	—	(82,671)
Noncontrolling interests						—	(11)	(11)
Stock-based compensation		11,514	1,003			12,517	—	12,517
Balance, December 31, 2011	$ 44,388	$ 598,106	$(107,740)	$2,191,319	$ 985,444	$ 3,711,517	$ (750)	$ 3,710,767
Net income for 2012				302,452		302,452	—	302,452
Other comprehensive income					751,278	751,278	—	751,278
Comprehensive income for 2012						1,053,730	—	1,053,730
Cash dividends ($0.700 per share)				(56,227)		(56,227)	—	(56,227)
Repurchase of common stock			(106,117)			(106,117)	—	(106,117)
Stock-based compensation		8,263	4,017			12,280	—	12,280
Noncontrolling interests						—	—	—
Balance, December 31, 2012	$ 44,388	$ 606,369	$(209,840)	$2,437,544	$ 1,736,722	$ 4,615,183	$ (750)	$ 4,614,433
Net income for 2013				393,464		393,464	—	393,464
Other comprehensive income					(1,242,656)	(1,242,656)	—	(1,242,656)
Comprehensive income for 2013						(849,192)	—	(849,192)
Cash dividends ($0.780 per share)				(61,186)		(61,186)	—	(61,186)
Noncontrolling interests		(750)				(750)	750	—
Repurchase of								

common stock			—			—	—	—
Stock-based compensation		1,315	9,424			10,739	—	10,739
Balance, December 31, 2013	$ 44,388	$ 606,934	$(200,416)	$2,769,822	$ 494,066	$ 3,714,794	$ —	$ 3,714,794

See Notes to Consolidated Financial Statements

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PROTECTIVE LIFE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
Cash flows from operating activities			
Net income	$ 393,464	$ 302,452	$ 315,637
Adjustments to reconcile net income to net cash provided by operating activities:			
Realized investment (gains) losses	(42,147)	66,331	(32,222)
Amortization of deferred policy acquisition costs and value of business acquired	192,898	203,565	264,993
Capitalization of deferred policy acquisition costs	(341,121)	(312,684)	(366,156)
Depreciation expense	6,769	7,860	9,171
Deferred income tax	175,054	74,333	85,893
Accrued income tax	70,635	19,956	(5,201)
Interest credited to universal life and investment products	875,180	962,678	993,574
Policy fees assessed on universal life and investment products	(894,176)	(794,825)	(712,038)
Change in reinsurance receivables	52,978	(159,930)	(27,931)
Change in accrued investment income and other receivables	2,448	(4,757)	(31,509)
Change in policy liabilities and other policyholders' funds of traditional life and health products	99,535	303,211	14,781
Trading securities:			
Maturities and principal reductions of investments	179,180	276,659	283,239
Sale of investments	256,938	454,150	860,474
Cost of investments acquired	(380,836)	(585,618)	(950,051)
Other net change in trading securities	38,999	(56,615)	7,933
Change in other liabilities	(137,103)	46,068	(147,244)
Other income—gains on repurchase of non-recourse funding obligations	(20,047)	(38,426)	(40,112)
Other, net	(29,098)	(72,325)	97,382
Net cash provided by operating activities	499,550	692,083	620,613
Cash flows from investing activities			
Maturities and principal reductions of investments, available-for-sale	1,094,862	1,176,422	1,399,830
Sale of investments, available-for-sale	3,239,222	2,548,314	2,955,665
Cost of investments acquired, available-for-sale	(5,082,264)	(4,215,228)	(5,158,064)
Change in investments, held-to-maturity	(65,000)	(300,000)	—
Mortgage loans:			
New lendings	(583,822)	(351,511)	(501,500)
Repayments	863,262	741,402	453,749
Change in investment real estate, net	(2,576)	10,207	1,483
Change in policy loans, net	17,181	14,428	14,190
Change in other long-term investments, net	(197,742)	(121,577)	75,452
Change in short-term investments, net	148,124	(83,288)	126,225
Net unsettled security transactions	7,373	37,169	68,810
Purchase of property and equipment	(11,621)	(6,248)	(17,667)
Sales of property and equipment	57	—	—
Payments for business acquisitions, net of cash acquired	(471,714)	—	(209,609)
Net cash used in investing activities	(1,044,658)	(549,910)	(791,436)
Cash flows from financing activities			
Borrowings under line of credit arrangements and debt	605,000	572,500	45,000
Principal payments on line of credit arrangement and debt	(420,000)	(676,650)	(26,852)
Issuance (repayment) of non-recourse funding obligations	(26,100)	178,200	(124,600)
Repurchase program borrowings	200,000	150,000	—
Dividends to shareowners	(61,186)	(56,227)	(52,503)
Repurchase of common stock	—	(106,201)	(82,671)
Investment product deposits and change in universal life deposits	3,219,561	3,716,553	4,216,738
Investment product withdrawals	(2,874,426)	(3,818,845)	(3,777,365)
Other financing activities, net	—	—	(24,051)
Net cash provided by (used in) financing activities	642,849	(40,670)	173,696
Change in cash	97,741	101,503	2,873
Cash at beginning of period	368,801	267,298	264,425
Cash at end of period	$ 466,542	$ 368,801	$ 267,298

See Notes to Consolidated Financial Statements

PROTECTIVE LIFE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Basis of Presentation

Protective Life Corporation is a holding company with subsidiaries that provide financial services through the production, distribution, and administration of insurance and investment products. The Company markets individual life insurance, credit life and disability insurance, guaranteed investment contracts, guaranteed funding agreements, fixed and variable annuities, and extended service contracts throughout the United States. The Company also maintains a separate segment devoted to the acquisition of insurance policies from other companies. Founded in 1907, Protective Life Insurance Company ("PLICO") is the Company's largest operating subsidiary.

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). Such accounting principles differ from statutory reporting practices used by insurance companies in reporting to state regulatory authorities (see also Note 21, *Statutory Reporting Practices and Other Regulatory Matters*).

The operating results of companies in the insurance industry have historically been subject to significant fluctuations due to changing competition, economic conditions, interest rates, investment performance, insurance ratings, claims, persistency, and other factors.

Reclassifications

Certain reclassifications have been made in the previously reported financial statements and accompanying notes to make the prior year amounts comparable to those of the current year. Such reclassifications had no effect on previously reported net income or shareowners' equity.

Entities Included

The consolidated financial statements include the accounts of Protective Life Corporation and subsidiaries and its affiliate companies in which the Company holds a majority voting or economic interest. Intercompany balances and transactions have been eliminated.

During the first quarter of 2013, the Company sold its ownership interest in an immaterial limited partnership which previously resulted in the recognition of a non-controlling interest in income and equity of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates include those used in determining deferred policy acquisition costs ("DAC") and related amortization periods, goodwill recoverability, value of business acquired ("VOBA"), investment and certain derivatives fair values, and other-than-temporary impairments, future policy benefits, pension and other postretirement benefits, provisions for income taxes, reserves for contingent liabilities, reinsurance risk transfer assessments, and reserves for losses in connection with unresolved legal matters.

Significant Accounting Policies

Valuation of Investment Securities

The Company determines the appropriate classification of investment securities at the time of purchase and periodically re-evaluates such designations. Investment securities are classified as either trading, available-for-sale, or held-to-maturity securities. Investment securities classified as trading are recorded at fair value with changes in fair value recorded in realized gains (losses). Investment securities purchased for long term investment purposes are classified as available for sale and are recorded at fair value with changes in unrealized gains and losses, net of taxes, reported as a component of other comprehensive income (loss). Investment securities are classified as held to maturity when the Company has the intent and ability to hold the securities to maturity and are reported at amortized cost. Interest income on available-for-sale and held-to-maturity securities includes the amortization of premiums and accretion of discounts and are recorded in investment income.

The fair value for fixed maturity, short term, and equity securities, is determined by management after considering and evaluating one of three primary sources of information: third party pricing services, independent broker quotations, or pricing matrices. Security pricing is applied using a "waterfall" approach whereby publicly available prices are first sought from third party pricing services, any remaining unpriced securities are submitted to independent brokers for prices, or lastly, securities are priced using a pricing matrix. Typical inputs used by these three pricing methods include, but are not limited to: reported trades, benchmark yields, issuer spreads, bids, offers, and/or estimated cash flows and rates of prepayments. Based on the typical trading volumes and the lack of quoted market prices for fixed maturities, third party pricing services will normally derive the security prices through recent 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 recent reported trades, the third party pricing services and brokers may use matrix or model processes to develop a security price where future cash flow expectations are developed based upon issuer and/or collateral performance and discounted at an estimated market rate. Included in the pricing of other asset-backed securities, collateralized mortgage obligations ("CMOs"), and mortgage-backed securities ("MBS") are estimates of the rate of future prepayments of principal and underlying collateral support over the remaining life of the securities. Such estimates are derived based on the characteristics of the underlying structure and rates of prepayments previously experienced at the interest rate levels projected for the underlying collateral. The basis for the cost of securities sold was determined at the Committee on Uniform Securities Identification Procedures ("CUSIP") level. The committee supplies a unique nine-character identification, called a CUSIP number, for each class of security approved for trading in the U.S., to facilitate clearing and settlement. These numbers are used when any buy and sell orders are recorded.

Each quarter the Company reviews investments with unrealized losses and tests for other-than-temporary impairments. The Company analyzes various factors to determine if any specific other-than-temporary asset impairments exist. These include, but are not limited to: 1) actions taken by rating agencies, 2) default by the issuer, 3) the significance of the decline, 4) an assessment of the Company's intent to sell the security (including a more likely than not assessment of whether the Company will be required to sell the security) before recovering the security's amortized cost, 5) the duration of the decline, 6) an economic analysis of the issuer's industry, and 7) the financial strength, liquidity, and recoverability of the issuer. Management performs a security by security review each quarter in evaluating the need for any other-than-temporary impairments. Although no set formula is used in this process, the investment performance, collateral position, and continued viability of the issuer are significant measures considered, and in some cases, an analysis regarding the Company's expectations for recovery of the security's entire amortized cost basis through the receipt of future cash flows is performed. Once a determination has been made that a specific other-than-temporary impairment exists, the security's basis is adjusted and an other-than-temporary impairment is recognized. Equity securities that are other-than-temporarily impaired are written down to fair value with a realized loss recognized in earnings.

Other-than-temporary impairments to debt securities that the Company does not intend to sell and does not expect to be required to sell before recovering the security's amortized cost are written down to discounted expected future cash flows ("post impairment cost") and credit losses are recorded in earnings. The difference between the securities' discounted expected future cash flows and the fair value of the securities on the impairment date is recognized in other comprehensive income (loss) as a non-credit portion impairment. When calculating the post impairment cost for residential mortgage-backed securities ("RMBS"), commercial mortgage-backed securities ("CMBS"), and other asset-backed securities (collectively referred to as asset-backed securities or "ABS"), the Company considers all known market data related to cash flows to estimate future cash flows. When calculating the post impairment cost for corporate debt securities, the Company considers all contractual cash flows to estimate expected future cash flows. To calculate the post impairment cost, the expected future cash flows are discounted at the original purchase yield. Debt securities that the Company intends to sell or expects to be required to sell before recovery are written down to fair value with the change recognized in earnings.

During the year ended December 31, 2013, the Company recorded pre-tax other-than-temporary impairments of investments of $10.9 million, of which $7.6 million were related to fixed maturities and $3.3 million were related to equity securities. Credit impairments recorded in earnings during the year ended December 31, 2013, were $22.4 million. During the year ended December 31, 2013, $11.5 million of non-credit losses previously recorded in other comprehensive income were recorded in earnings as credit losses. For more information on impairments, refer to Note 5, *Investment Operations*.

Investment Products

The Company establishes liabilities for fixed indexed annuity ("FIA") products. These products are deferred fixed annuities with a guaranteed minimum interest rate plus a contingent return based on equity market performance. The FIA product is considered a hybrid financial instrument under the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC" or "Codification") Topic 815—*Derivatives and Hedging* which allows the Company to make the election to value the liabilities of these FIA products at fair value. This election was made for the FIA products issued prior to 2010 as the policies were issued. These products are no longer being marketed. The changes in the fair value of the liability for these FIA products are recorded in *Benefit and settlement expenses* with the liability being recorded in *Annuity account balances*. For more information regarding the determination of fair value of annuity account balances please refer to Note 22, *Fair Value of Financial Instruments*. *Premiums and policy fees* for these FIA products consist of fees that have been assessed against the policy account balances for surrenders. Such fees are recognized when assessed and earned.

During 2013, the Company began marketing a new FIA product. These products are also deferred fixed annuities with a guaranteed minimum interest rate plus a contingent return based on equity market performance and are considered hybrid financial instruments under the FASB's ASC Topic 815—*Derivatives and Hedging*. The Company did not elect to value these FIA products at fair value. As a result the Company accounts for the provision that provides for a contingent return based on equity market performance as an embedded derivative. The embedded derivative is bifurcated from the host contract and recorded at fair value in *other liabilities*. Changes in the fair value of the embedded derivative are recorded in *Realized investment gains (losses)—Derivative financial instruments*. For more information regarding the determination of fair value of the FIA embedded derivative refer to Note 22, *Fair Value of Financial Instruments*. The host contract is accounted for as a debt instrument in accordance with ASC Topic 944—*Financial Services—Insurance* and is recorded in *Annuity account balances* with any discount to the minimum account value being accreted using the effective yield method. *Benefits and settlement expenses* include accreted interest and benefit claims incurred during the period.

Cash

Cash includes all demand deposits reduced by the amount of outstanding checks and drafts. As a result of the Company's cash management system, checks issued from a particular bank but not yet presented for payment may create negative book cash balances with the bank. Such negative balances are included in other liabilities and were $42.1 million and $96.6 million as of December 31, 2013 and 2012, respectively. The Company has deposits with certain financial institutions which exceed federally insured limits. The Company has reviewed the creditworthiness of these financial institutions and believes there is minimal risk of a material loss.

Deferred Policy Acquisition Costs

In the first quarter of 2012, the Company adopted ASU No. 2010-26—Financial Services—Insurance—Accounting for Costs Associated w Acquiring or Renewing Insurance Contracts. The objective of this Update is to address diversity in practice regarding the interpretation of which costs relating to the acquisition of new or renewal insurance contracts qualify for deferral. This Update prescribes that certain incremental direct costs of successful initial or renewal contract acquisitions may be deferred. It defines incremental direct costs as those costs that result directly from and are essential to the contract transaction and would not have been incurred by the insurance entity had the contract transaction not occurred. This Update also clarifies the definition of the types of incurred costs that may be capitalized and the accounting and recognition treatment of advertising, research, and other administrative costs related to the acquisition of insurance contracts.

The incremental direct costs associated with successfully acquired insurance policies, are deferred to the extent such costs are deemed recoverable from future profits. Such costs include commissions and other costs of acquiring traditional life and health insurance, credit insurance, universal life insurance, and investment products. Deferred acquisition costs ("DAC") are subject to recoverability testing at the end of each accounting period. Traditional life and health insurance acquisition costs are amortized over the premium-payment period of the related policies in proportion to the ratio of annual premium income to the present value of the total anticipated premium income. Credit insurance acquisition costs are being amortized in proportion to earned premium. Acquisition costs for universal life and investment products are amortized over the lives of the policies in relation to the present value of estimated gross profits before amortization.

Based on the Accounting Standards Codification ("ASC" or "Codification") Financial Services-Insurance Topic, the Company makes certain assumptions regarding the mortality, persistency, expenses, and interest rates (equal to the rate used to compute liabilities for future policy benefits, currently 1.0% to 7.13%) the Company expects to experience in future periods. These assumptions are to be best estimates and are periodically updated whenever actual experience and/or expectations for the future change from that assumed. Additionally, using guidance from ASC Investments-Debt and Equity Securities Topic, these costs have been adjusted by an amount equal to the amortization that would have been recorded if unrealized gains or losses on investments associated with our universal life and investment products had been realized. Acquisition costs for stable value contracts are amortized over the term of the contracts using the effective yield method.

Value of Businesses Acquired

In conjunction with the acquisition of a block of insurance policies or investment contracts, a portion of the purchase price is allocated to the right to receive future gross profits from cash flow and earnings of the acquired insurance policies or investment contracts. This intangible asset, called VOBA, represents the actuarially estimated present value of future cash flows from the acquired policies. The estimated present value of future cash flows used in the calculation of VOBA is based on certain assumptions, including mortality, persistency, expenses, and interest rates that the Company expects to experience in future years.

These assumptions are to be best estimates and are periodically updated whenever actual experience and/or expectations for the future change from that assumed. The Company amortizes VOBA in proportion to gross premiums for traditional life products, in proportion to expected gross profits ("EGPs") for interest sensitive products, including accrued interest credited to account balances of up to approximately 8.75% and in proportion to estimated gross margin for policies within the Closed Block that was acquired as part of the MONY acquisition. VOBA is subject to annual recoverability testing.

Property and Equipment

The Company reports land, buildings, improvements, and equipment at cost, including interest capitalized during any acquisition or development period, less accumulated depreciation. The Company depreciates its assets using the straight-line method over the estimated useful lives of the assets. The Company's home office building is depreciated over a thirty-nine year useful life, furniture is depreciated over a ten year useful life, office equipment and machines are depreciated over a five year useful life, and software and computers are depreciated over a three year useful life. Major repairs or improvements are capitalized and depreciated over the estimated useful lives of the assets. Other repairs are expensed as incurred. The cost and related accumulated depreciation of property and equipment sold or retired are removed from the accounts, and resulting gains or losses are included in income.

Property and equipment consisted of the following:

	As of December 31,	
	2013	2012
	(Dollars In Thousands)	
Home office building	$ 74,313	$ 72,587
Data processing equipment	36,140	29,609
Other, principally furniture and equipment	53,529	51,200
	163,982	153,396
Accumulated depreciation	(111,579)	(105,789)
Total property and equipment	$ 52,403	$ 47,607

Separate Accounts

The separate account assets represent funds for which the Company does not bear the investment risk. These assets are carried at fair value and are equal to the separate account liabilities, which represent the policyholder's equity in those assets. The investment income and investment gains and losses on the separate account assets accrue directly to the policyholder. These amounts are reported separately as assets and liabilities related to separate accounts in the accompanying consolidated financial statements. Amounts assessed against policy account balances for the costs of insurance, policy administration, and other services are included in premiums and policy fees in the accompanying consolidated statements of income.

Stable Value Product Account Balances

The Stable Value Products segment sells fixed and floating rate funding agreements directly to the trustees of municipal bond proceeds, money market funds, bank trust departments, and other institutional investors. The segment also issues funding agreements to the Federal Home Loan Bank ("FHLB"), and markets guaranteed investment contracts ("GICs") to 401(k) and other qualified retirement savings plans. GICs are contracts which specify a return on deposits for a specified period and often provide flexibility for withdrawals at book value in keeping with the benefits provided by the plan. Additionally, the Company has contracts outstanding pursuant to a funding agreement-backed notes program registered with the

United States Securities and Exchange Commission (the "SEC") which offered notes to both institutional and retail investors.

The segment's products complement the Company's overall asset/liability management in that the terms may be tailored to the needs of PLICO as the seller of the contracts, as opposed to solely meeting the needs of the buyer. Stable value product account balances include GICs and funding agreements the Company has issued. As of December 31, 2013 and 2012, the Company had $0.2 billion and $0.3 billion, respectively, of stable value product account balances marketed through structured programs. Most GICs and funding agreements the Company has written have maturities of one to ten years.

As of December 31, 2013, future maturities of stable value products were as follows:

Year of Maturity	Amount
	(Dollars In Millions)
2014	$ 555.2
2015-2016	1,294.4
2017-2018	684.1
Thereafter	25.9

Derivative Financial Instruments

The Company records its derivative financial instruments in the consolidated balance sheet in "other long-term investments" and "other liabilities" in accordance with GAAP, which requires that all derivative instruments be recognized in the balance sheet at fair value. The change in the fair value of derivative financial instruments is reported either in the statement of income or in the other comprehensive income (loss), depending upon whether the derivative instrument qualified for and also has been properly identified as being part of a hedging relationship, and also on the type of hedging relationship that exists. For cash flow hedges, the effective portion of their gain or loss is reported as a component of other comprehensive income (loss) and reclassified into earnings in the period during which the hedged item impacts earnings. Any remaining gain or loss, the ineffective portion, is recognized in current earnings. For fair value hedge derivatives, their gain or loss as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. Effectiveness of the Company's hedge relationships is assessed on a quarterly basis. The Company reports changes in fair values of derivatives that are not part of a qualifying hedge relationship in earnings. Changes in the fair value of derivatives that are recognized in current earnings are reported in "Realized investment gains (losses)—Derivative financial instruments". For additional information, see Note 23, *Derivative Financial Instruments*.

Insurance Liabilities and Reserves

Establishing an adequate liability for the Company's obligations to policyholders requires the use of certain assumptions. Estimating liabilities for future policy benefits on life and health insurance products requires the use of assumptions relative to future investment yields, mortality, morbidity, persistency, and other assumptions based on the Company's historical experience, modified as necessary to reflect anticipated trends and to include provisions for possible adverse deviation. Determining liabilities for the Company's property and casualty insurance products also requires the use of assumptions, including the projected levels of used vehicle prices, the frequency and severity of claims, and the effectiveness of internal processes designed to reduce the level of claims. The Company's results depend significantly upon the extent to which its actual claims experience is consistent with the assumptions the Company used in determining its reserves and pricing its products. The Company's reserve assumptions and estimates require significant judgment and, therefore, are inherently uncertain. The Company cannot determine with precision the ultimate amounts that it will pay for actual claims or the timing of those payments.

Guaranteed Minimum Withdrawal Benefits

The Company also establishes reserves for guaranteed minimum withdrawal benefits ("GMWB") on its variable annuity ("VA") products. The GMWB is valued in accordance with FASB guidance under the ASC Derivatives and Hedging Topic which utilizes the valuation technique prescribed by the ASC Fair Value Measurements and Disclosures Topic, which requires the liability to be recorded at fair value using current implied volatilities for the equity indices. The methods used to estimate the liabilities employ assumptions about mortality, lapses, policyholder behavior, equity market returns, interest rates, and market volatility. The Company assumes age-based mortality from the National Association of Insurance Commissioners 1994 Variable Annuity MGDB Mortality Table for company experience, with attained age factors varying from 49% to 80%. Differences between the actual experience and the assumptions used result in variances in profit and could result in losses. Favorable market returns during the year have reduced the likelihood of claims and increased the amount of fees projected to be received. More favorable market conditions at year end 2013 also reduced projected claims. The increase in risk free interest rates has reduced the present value of both claims and fees, but since claims are generally expected later than the fees, the reduction of the present value of claims is greater than the reduction of the present value of fees. As a result of these and other factors, the aggregate GMWB reserve has moved to a net asset position. As of December 31, 2013, our net GMWB asset held was $156.3 million.

Goodwill

Accounting for goodwill requires an estimate of the future profitability of the associated lines of business to assess the recoverability of the capitalized acquisition goodwill. The Company evaluates the carrying value of goodwill at the segment (or reporting unit) level at least annually and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to: 1) a significant adverse change in legal factors or in business climate, 2) unanticipated competition, or 3) an adverse action or assessment by a regulator. When evaluating whether goodwill is impaired, the Company first determines through qualitative analysis whether relevant events and circumstances indicate that it is more likely than not that segment goodwill balances are impaired as of the testing date. If it is determined that it is more likely than not that impairment exists, the Company compares its estimate of the fair value of the reporting unit to which the goodwill is assigned to the reporting unit's carrying amount, including goodwill. The Company utilizes a fair value measurement (which includes a discounted cash flows analysis) to assess the carrying value of the reporting units in consideration of the recoverability of the goodwill balance assigned to each reporting unit as of the measurement date. The Company's material goodwill balances are attributable to certain of its operating segments (which are each considered to be reporting units). The cash flows used to determine the fair value of the Company's reporting units are dependent on a number of significant assumptions. The Company's estimates, which consider a market participant view of fair value, are subject to change given the inherent uncertainty in predicting future results and cash flows, which are impacted by such things as policyholder behavior, competitor pricing, capital limitations, new product introductions, and specific industry and market conditions. Additionally, the discount rate used is based on the Company's judgment of the appropriate rate for each reporting unit based on the relative risk associated with the projected cash flows. As of December 31, 2013, the Company performed its annual evaluation of goodwill and determined that no adjustment to impair goodwill was necessary. As of December 31, 2013, we had goodwill of $105.5 million.

Income Taxes

The Company uses the asset and liability method of accounting for income taxes. In general, income tax provisions are based on the income reported for financial statement purposes. Deferred income taxes arise from the recognition of temporary differences between the basis of assets and liabilities determined for financial reporting purposes and the basis determined for income tax purposes. Such temporary differences are principally related to net unrealized gains (losses), deferred policy acquisition costs and value of business acquired, and future policy benefits and claims.

The Company analyzes whether it needs to establish a valuation allowance on each of its deferred tax assets. In performing this analysis, the Company first considers the need for a valuation allowance on each separate deferred tax asset. Ultimately, it analyzes this need in the aggregate in order to prevent the double-counting of expected future taxable income in each of the foregoing separate analyses.

Variable Interest Entities

The Company holds certain investments in entities in which its ownership interests could possibly be considered variable interests under Topic 810 of the FASB ASC (excluding debt and equity securities held as trading, available for sale, or held to maturity). The Company reviews the characteristics of each of these applicable entities and compares those characteristics to applicable criteria to determine whether the entity is a Variable Interest Entity ("VIE"). If the entity is determined to be a VIE, the Company then performs a detailed review to determine whether the interest would be considered a variable interest under the guidance. The Company then performs a qualitative review of all variable interests with the entity and determines whether the Company is the primary beneficiary. ASC 810 provides that an entity is the primary beneficiary of a VIE if the entity has 1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and 2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE. For more information on the Company's investment in a VIE refer to Note 5, *Investment Operations,* to the consolidated financial statements.

Policyholder Liabilities, Revenues, and Benefits Expense

Traditional Life, Health, and Credit Insurance Products

Traditional life insurance products consist principally of those products with fixed and guaranteed premiums and benefits, and they include whole life insurance policies, term and term-like life insurance policies, limited payment life insurance policies, and certain annuities with life contingencies. Traditional life insurance premiums are recognized as revenue when due. Health and credit insurance premiums are recognized as revenue over the terms of the policies. Benefits and expenses are associated with earned premiums so that profits are recognized over the life of the contracts. This is accomplished by means of the provision for liabilities for future policy benefits and the amortization of DAC and VOBA. Gross premiums in excess of net premiums related to immediate annuities are deferred and recognized over the life of the policy.

Liabilities for future policy benefits on traditional life insurance products have been computed using a net level method including assumptions as to investment yields, mortality, persistency, and other assumptions based on the Company's experience, modified as necessary to reflect anticipated trends and to include provisions for possible adverse deviation. Reserve investment yield assumptions on December 31, 2013, range from approximately 2.0% to 8.75%. The liability for future policy benefits and claims on traditional life, health, and credit insurance products includes estimated unpaid claims that have been reported to us and claims incurred but not yet reported. Policy claims are charged to expense in the period in which the claims are incurred.

Activity in the liability for unpaid claims for life and health insurance is summarized as follows:

	As of December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
Balance beginning of year	$ 326,633	$ 312,799	$ 299,971
Less: reinsurance	155,341	161,450	156,932
Net balance beginning of year	171,292	151,349	143,039
Incurred related to:			
Current year	698,028	702,555	653,525
Prior year	68,396	62,926	65,269
Total incurred	766,424	765,481	718,794
Paid related to:			
Current year	682,877	664,744	639,118
Prior year	85,146	80,794	76,424
Total paid	768,023	745,538	715,542
Other changes:			
Acquisition and reserve transfers	47,255(1)	—	5,058
Net balance end of year	216,948	171,292	151,349
Add: reinsurance	117,502	155,341	161,450
Balance end of year	$ 334,450	$ 326,633	$ 312,799

(1) This amount represents the net liability, before reinsurance, for unpaid claims as of December 31, 2013 for MONY Life Insurance Company. The claims activity from the acquisition date of October 1, 2013 through December 31, 2013 for MONY Life Insurance Company is not reflected in this chart.

Universal Life and Investment Products

Universal life and investment products include universal life insurance, guaranteed investment contracts, guaranteed funding agreements, deferred annuities, and annuities without life contingencies. Premiums and policy fees for universal life and investment products consist of fees that have been assessed against policy account balances for the costs of insurance, policy administration, and surrenders. Such fees are recognized when assessed and earned. Benefit reserves for universal life and investment products represent policy account balances before applicable surrender charges plus certain deferred policy initiation fees that are recognized in income over the term of the policies. Policy benefits and claims that are charged to expense include benefit claims incurred in the period in excess of related policy account balances and interest credited to policy account balances. Interest rates credited to universal life products ranged from 2.0% to 7.0% and investment products ranged from 0.2% to 7.9% in 2013.

The Company's accounting policies with respect to variable universal life ("VUL") and VA are identical except that policy account balances (excluding account balances that earn a fixed rate) are valued at fair value and reported as components of assets and liabilities related to separate accounts.

The Company establishes liabilities for guaranteed minimum death benefits ("GMDB") on its VA products. The methods used to estimate the liabilities employ assumptions about mortality and the performance of equity markets. The Company assumes age-based mortality from the National Association of Insurance Commissioners 1994 Variable Annuity MGDB Mortality Table for company experience, with attained age factors varying from 49%—80%. Future declines in the equity market would increase the Company's GMDB liability. Differences between the actual experience an the assumptions used result in variances in profit and could result in losses. Our GMDB as of December 31, 2013, are subject to a dollar-for-dollar reduction upon withdrawal of related annuity deposits on contracts issued prior to January 1, 2003. As of December 31, 2013, the GMDB was $16.3 million.

Property and Casualty Insurance Products

Property and casualty insurance products include service contract business, surety bonds, and guaranteed asset protection ("GAP). Premiums for service contracts and GAP products are recognized based on expected claim patterns. For all other products, premiums are generally recognized over the terms of the contract on a pro-rata basis. Fee income from providing administrative services is recognized as earned when the related services are performed. Unearned premium reserves are maintained for the portion of the premiums that is related to the unexpired period of the policy. Benefit reserves are recorded when insured events occur. Benefit reserves include case basis reserves for known but unpaid claims as of the balance sheet date as well as incurred but not reported ("IBNR") reserves for claims where the insured event has occurred but has not been reported to the Company as of the balance sheet date. The case basis reserves and IBNR are calculated based on historical experience and on assumptions relating to claim severity and frequency, the level of used vehicle prices, and other factors. These assumptions are modified as necessary to reflect anticipated trends.

Reinsurance

The Company uses reinsurance extensively in certain of its segments and accounts for reinsurance and the recognition of the impact of reinsurance costs in accordance with the ASC Financial Services—Insurance Topic. The following summarizes some of the key aspects of the Company' accounting policies for reinsurance.

Reinsurance Accounting Methodology—Ceded premiums of the Company's traditional life insurance products are treated as an offset to direc premium and policy fee revenue and are recognized when due to the assuming company. Ceded claims are treated as an offset to direct benefits and settlement expenses and are recognized when the claim is incurred on a direct basis. Ceded policy reserve changes are also treated as an offset to benefits and settlement expenses and are recognized during the applicable financial reporting period. Expense allowances paid by the assuming companies are treated as an offset to other operating expenses. Since reinsurance treaties typically provide for allowance percentages that decrease over the lifetime of a policy, allowances in excess of the "ultimate" or final level allowance are capitalized. Amortization of capitalized reinsurance expense allowances is treated as an offset to direct amortization of DAC or VOBA. Amortization of deferred expense allowances is calculated as a level percentage of expected premiums in all durations given expected future lapses and mortality and accretion due to interest.

The Company utilizes reinsurance on certain short duration insurance contracts (primarily issued through the Asset Protection segment). As part of these reinsurance transactions the Company receives reinsurance allowances which reimburse the Company for acquisition costs such as commissions and premium taxes. A ceding fee is also collected to cover other administrative costs and profits for the Company. Reinsurance allowances received are capitalized and charged to expense in proportion to premiums earned. Ceded unamortized acquisition costs are netted with direct unamortized acquisition costs in the balance sheet.

Ceded premiums and policy fees on the Company's universal life ("UL"), VUL, bank-owned life insurance ("BOLI"), and annuity products reduce premiums and policy fees recognized by the Company. Ceded claims are treated as an offset to direct benefits and settlement expenses and are recognized when the claim is incurred on a direct basis. Ceded policy reserve changes are also treated as an offset to benefits and settlement expenses and are recognized during the applicable valuation period. Commission and expense allowances paid by the assuming companies are treated as an offset to other operating expenses.

Since reinsurance treaties typically provide for allowance percentages that decrease over the lifetime of a policy, allowances in excess of the "ultimate" or final level allowance are capitalized. Amortization of capitalized reinsurance expense allowances are amortized based on future expected gross profits. Assumptions regarding mortality, lapses, and interest rates are continuously reviewed and may be periodically changed. These changes will result in "unlocking" that changes the balance in the ceded deferred acquisition cost and can affect the amortization of DAC and VOBA. Ceded unearned revenue liabilities are also amortized based on expected gross profits. Assumptions are based on the best current estimate of expected mortality, lapses and interest spread.

The Company has also assumed certain policy risks written by other insurance companies through reinsurance agreements. *Premiums and policy fees* as well as *Benefits and settlement expenses* include amounts assumed under reinsurance agreements and are net of reinsurance ceded. Assumed reinsurance is accounted for in accordance with ASC Financial Services—Insurance topic.

Reinsurance Allowances—The amount and timing of reinsurance allowances (both first year and renewal allowances) are contractuall determined by the applicable reinsurance contract and may or may not bear a relationship to the amount and incidence of expenses actually paid by the ceding company. Many of the Company's reinsurance treaties do, in fact, have ultimate renewal allowances that exceed the direct ultimate expenses. Additionally, allowances are intended to reimburse the ceding company for some portion of the ceding company's commissions, expenses, and taxes. As a result, first year expenses paid by the Company may be higher than first year allowances paid by the reinsurer, and reinsurance allowances may be higher in later years than renewal expenses paid by the Company.

The Company recognizes allowances according to the prescribed schedules in the reinsurance contracts, which may or may not bear a relationship to actual expenses incurred by the Company. A portion of these allowances is deferred while the non-deferrable allowances are recognized immediately as a reduction of other operating expenses. The Company's practice is to defer reinsurance allowances in excess of the ultimate allowance. This practice is consistent with the Company's practice of capitalizing direct expenses. While the recognition of reinsurance allowances is consistent with GAAP, in some cases non-deferred reinsurance allowances may exceed non-deferred direct costs, which may cause net other operating expenses to be negative.

Ultimate reinsurance allowances are defined as the lowest allowance percentage paid by the reinsurer in any policy duration over the lifetime of a universal life policy (or through the end of the level term period for a traditional life policy). Ultimate reinsurance allowances are determined by the reinsurer and set by the individual contract of each treaty during the initial negotiation of each such contract. Ultimate reinsurance allowances and other treaty provisions are listed within each treaty and will differ between agreements since each reinsurance contract is separately negotiated. The Company uses the ultimate reinsurance allowances set by the reinsurers and contained within each treaty agreement to complete its accounting responsibilities.

Amortization of Reinsurance Allowances—Reinsurance allowances do not affect the methodology used to amortize DAC and VOBA, or tl period over which such DAC and VOBA are amortized. Reinsurance allowances offset the direct expenses capitalized, reducing the net amount that is capitalized. The amortization pattern varies with changes in estimated gross profits arising from the allowances. DAC and VOBA on traditional life policies are amortized based on the pattern of estimated gross premiums of the policies in force. Reinsurance allowances do not affect the gross premiums, so therefore they do not impact traditional life amortization patterns. DAC and VOBA on universal life products are amortized based on the pattern of estimated gross profits of the policies in force. Reinsurance allowances are considered in the determination of estimated gross profits, and therefore do impact amortization patterns.

Reinsurance Liabilities—Claim liabilities and policy benefits are calculated consistently for all policies in accordance with GAAP, regardless of whether or not the policy is reinsured. Once the claim liabilities and policy benefits for the underlying policies are estimated, the amounts recoverable from the reinsurers are estimated based on a number of factors including the terms of the reinsurance contracts, historical payment patterns of reinsurance partners, and the financial strength and credit worthiness of reinsurance partners. Liabilities for unpaid reinsurance claims are produced from claims and reinsurance system records, which contain the relevant terms of the individual reinsurance contracts. The Company monitors claims due from reinsurers to ensure that balances are settled on a timely basis. Incurred but not reported claims are reviewed by the Company's actuarial staff to ensure that appropriate amounts are ceded.

The Company analyzes and monitors the credit worthiness of each of its reinsurance partners to minimize collection issues. For newly executed reinsurance contracts with reinsurance companies that do not meet predetermined standards, the Company requires collateral such as assets held in trusts or letters of credit.

Components of Reinsurance Cost—The following income statement lines are affected by reinsurance cost:

Premiums and policy fees ("reinsurance ceded" on the Company's financial statements) represent consideration paid to the assuming company for accepting the ceding company's risks. Ceded premiums and policy fees increase reinsurance cost.

Benefits and settlement expenses include incurred claim amounts ceded and changes in ceded policy reserves. Ceded benefits and settlement expenses decrease reinsurance cost.

Amortization of deferred policy acquisition cost and VOBA reflects the amortization of capitalized reinsurance allowances. Ceded amortization decreases reinsurance cost.

Other expenses include reinsurance allowances paid by assuming companies to the Company less amounts capitalized. Non-deferred reinsurance allowances decrease reinsurance cost.

The Company's reinsurance programs do not materially impact the other income line of the Company's income statement. In addition, net investment income generally has no direct impact on the Company's reinsurance cost. However, it should be noted that by ceding business to the assuming companies, the Company forgoes investment income on the reserves ceded to the assuming companies. Conversely, the assuming companies will receive investment income on the reserves assumed which will increase the assuming companies' profitability on business assumed from the Company.

Accounting Pronouncements Recently Adopted

ASU No. 2011-11—Balance Sheet—Disclosures about Offsetting Assets and Liabilities. This Update contains new disclosure requirements regarding the nature of an entity's rights of offset and related arrangements associated with its financial and derivative instruments. The new disclosures are designed to make financial statements that are prepared under GAAP more comparable to those prepared under International Financial Reporting Standards ("IFRSs"). Generally, it is more difficult to qualify for offsetting under IFRSs than it is under GAAP. As a result, entities with significant financial instrument and derivative portfolios that report under IFRSs typically present positions on their balance sheets that are significantly larger than those of entities with similarly sized portfolios whose financial statements are prepared in accordance with GAAP. To facilitate comparison between financial statements prepared under GAAP and IFRSs, the new disclosures will give financial statement users information about both gross and net exposures. In January 2013, the FASB issued ASU No. 2013-01, which clarifies that application of ASU No. 2011-11 is limited to certain derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions. Both Updates were effective January 1, 2013. Neither Update had an impact on the Company's results of operations or financial position. See Note 24, *Offsetting of Assets and Liabilities* for additional information.

ASU No. 2012-02—Intangibles—Goodwill and Other—Testing Indefinite-Lived Intangible Assets for Impairment. This Update is intended to reduce the complexity and cost of performing an impairment test for indefinite-lived intangible assets by allowing an entity the option to make a qualitative evaluation about the likelihood of impairment prior to the quantitative calculation required by current guidance. Under the amendments to Topic 350, an entity has the option to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. If an entity determines it is not more likely than not that impairment exists, quantitative impairment testing is not required. However, if an entity concludes otherwise, the impairment test outlined in current guidance is required to be completed. The Update does not change the current requirement that indefinite-lived intangible assets be reviewed for impairment at least annually. This Update was effective January 1, 2013. This Update did not have an impact on the Company's results of operations or financial position. See Note 8, *Goodwill*.

ASU No. 2013-02—Comprehensive Income—Reporting of Amounts Reclassified Out of Accumulated Other Comprehensi Income. The amendments in this Update supersede the presentation requirements for reclassifications out of accumulated other comprehensive income in ASU No. 2011-05, Comprehensive Income—Presentation of Comprehensive Income, and ASU No. 2011-12, Comprehensive Incon—Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05, for all entities. The amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements. The Update requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under GAAP to be reclassified in its entirety to net income. For other amounts that are not required under GAAP to be reclassified in their entirety in the same reporting period, an entity is required to cross-reference other disclosures required under GAAP that provide additional detail about those amounts. The Company has added the Accumulated Other Comprehensive Income footnote to disclose the required information beginning in 2013. This Update was effective January 1, 2013. This Update did not have an impact on the Company's results of operations or financial position.

ASU No. 2013-10—Derivatives and Hedging—Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) a Benchmark Interest Rate for Hedge Accounting Purposes. This Update provides for the inclusion of the Fed Funds Effective Swap Rate as a U.S. benchmark interest rate for hedge accounting purposes, in addition to U.S. Treasury rates and LIBOR. The amendments in the Update also remove the restriction on using different benchmark rates for similar hedges. The amendments are effective prospectively for transactions entered into on or after July 17, 2013. The Company has and will continue to consider this additional benchmark rate.

ASU No. 2013-11—Income Taxes—Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Simi Tax Loss, or A Tax Credit Carryforward Exists. The objective of this Update is to eliminate diversity in practice related to the presentation of certain unrecognized tax benefits. The Update provides that unrecognized tax benefits should be presented as a reduction of a deferred tax asset for a net operating loss or other tax credit carry forward when settlement in this manner is available under the tax law. The amendments are effective for annual periods beginning after December 15, 2013 and interim periods therein, with early adoption permitted. The Company elected to adopt the guidance in this Update for the annual period ending December 31, 2013. The Update did not have an impact on the Company's results of operations or financial position.

3. SIGNIFICANT ACQUISITIONS

On October 1, 2013 PLICO completed the acquisition contemplated by the master agreement (the "Master Agreement") dated April 10, 2013. Pursuant to that Master Agreement with AXA Financial, Inc.

("AXA") and AXA Equitable Financial Services, LLC ("AEFS"), PLICO acquired the stock of MONY Life Insurance Company ("MONY") from AEFS and entered into a reinsurance agreement (the "Reinsurance Agreement") pursuant to which it reinsured on a 100% indemnity reinsurance basis certain business (the "MLOA Business") of MONY Life Insurance Company of America ("MLOA"). The aggregate purchase price of MONY was $686 million. The ceding commission for the reinsurance of the MLOA Business was $370 million. Together, the purchase of MONY and reinsurance of the MLOA Business are hereto referred to as (the "MONY acquisition"). The MONY acquisition allowed the Company to invest its capital and increase the scale of its Acquisitions segment. The MONY acquisition business is comprised of traditional and universal life insurance policies and fixed and variable annuities, most of which were written prior to 2004.

The MONY acquisition was accounted for under the acquisition method of accounting under ASC Topic 805. Based on SEC Regulation 210.11-01, the Company considered the reinsurance of the MLOA Business, together with the acquisition of MONY, as a business combination since there is a continuity of business operations related to MONY and the related reinsured MLOA Business such as physical facilities and employee base. In addition, the Company considered SEC Reporting Manual 2010.6 which states "reinsurance transactions may also be deemed the acquisition of a business because the right to receive future premiums generally indicates continuity of historical revenues".

In accordance with ASC 805-20-30, all identifiable assets acquired and liabilities assumed were measured at fair value as of the acquisition date. The MONY acquisition will be subject to customary post-closing adjustments as the Company finalizes the determination and analysis of assets acquired and liabilities assumed. The following table summarizes the consideration paid for the acquisition and the

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preliminary determination of the fair value of assets acquired and liabilities assumed at the acquisition date:

	Fair Value As of October 1, 2013
	(Dollars In Thousands)
Assets	
Fixed maturities, at fair value	$ 6,550,691
Equity securities, at fair value	108,413
Mortgage loans	823,340
Policy loans	967,534
Short-term investments	130,963
Total investments	8,580,941
Cash	213,861
Accrued investment income	114,656
Accounts and premiums receivable, net of allowance for uncollectible amounts	29,031
Reinsurance receivables	422,692
Value of business acquired	219,751
Other assets	30,139
Income tax receivable	21,196
Deferred income taxes	168,916
Separate account assets	195,452
Total assets	$ 9,996,635
Liabilities	
Future policy and benefit claims	$ 7,654,969
Unearned premiums	3,066
Total policy liabilities and accruals	7,658,035
Annuity account balances	752,163
Other policyholders' funds	636,034
Other liabilities	66,936
Non-recourse funding obligation	2,548
Separate account liabilities	195,344
Total liabilities	9,311,060
Net assets acquired	$ 685,575

Included in the amounts above, are liabilities related to certain non-qualified pension and deferred compensation plans ("MONY Benefits Plans") and supporting trust assets. Through an indemnification agreement within the Master Agreement, at the end of each calendar year, to the extent the supporting trust assets are less than the MONY Benefit Plan liabilities, AXA will pay MONY an amount equal to the shortfall. As of December 31, 2013, the MONY Benefit Plans had a total liability balance of $8.1 million and the supporting trust assets had a total balance of $8.6 million.

During the year ended December 31, 2013, the Company incurred $18.3 million of expenses related to the MONY acquisition. These expenses are included in the Company's other operating expenses.

The following (unaudited) pro forma condensed consolidated results of operations assumes that the aforementioned acquisition was completed as of January 1, 2012:

	Unaudited For The Year Ended December 31, 2013	2012
	(Dollars In Thousands)	
Revenue	$ 4,599,718(1)	$ 4,497,881
Net income	$ 427,645(2)	$ 359,120
EPS—basic	$ 5.39	$ 4.43
EPS—diluted	$ 5.28	$ 4.34

(1) Includes $203.8 million of revenue recognized in the Company's net income for the year ended December 31, 2013.

(2) Includes $27.9 million of pre-tax net income recognized by the Company for the year ended December 31, 2013.

4. MONY CLOSED BLOCK OF BUSINESS

In 1998, MONY converted from a mutual insurance company to a stock corporation ("demutualization"). In connection with its demutualization, an accounting mechanism known as a closed block (the "Closed Block") was established for certain individuals' participating policies in force as of the date of demutualization. Assets, liabilities, and earnings of the Closed Block are specifically identified to support its participating policyholders. The Company acquired the Closed Block in conjunction with the MONY acquisition as discussed in Note 3, *Significant Acquisitions*.

Assets allocated to the Closed Block inure solely to the benefit of each Closed Block's policyholders and will not revert to the benefit of MONY or the Company. No reallocation, transfer, borrowing or lending of assets can be made between the Closed Block and other portions of MONY's general account, any of MONY's separate accounts or any affiliate of MONY without the approval of the Superintendent of The New York State Insurance Department (the "Superintendent"). Closed Block assets and liabilities are carried on the same basis as similar assets and liabilities held in the general account.

The excess of Closed Block liabilities over Closed Block assets (adjusted to exclude the impact of related amounts in accumulated other comprehensive income (loss) ("AOCI")) represents the expected maximum future post-tax earnings from the Closed Block that would be recognized in income from continuing operations over the period the policies and contracts in the Closed Block remain in force. In connection with the acquisition of MONY, the Company has developed an actuarial calculation of the expected timing of MONY's Closed Block's earnings as of October 1, 2013.

If the actual cumulative earnings from the Closed Block are greater than the expected cumulative earnings, only the expected earnings will be recognized in the Company's net income. Actual cumulative earnings in excess of expected cumulative earnings at any point in time are recorded as a policyholder dividend obligation because they will ultimately be paid to Closed Block policyholders as an additional policyholder dividend unless offset by future performance that is less favorable than originally expected. If a policyholder dividend obligation has been previously established and the actual Closed Block earnings in a subsequent period are less than the expected earnings for that period, the policyholder dividend obligation would be reduced (but not below zero). If, over the period the policies and contracts in the Closed Block remain in force, the actual cumulative earnings of the Closed Block are less than the expected cumulative earnings, only actual earnings would be recognized in income from continuing operations. If the Closed Block has insufficient funds to make guaranteed policy benefit payments, such payments will be made from assets outside the Closed Block.

Many expenses related to Closed Block operations, including amortization of VOBA, are charged to operations outside of the Closed Block; accordingly, net revenues of the Closed Block do not represent the actual profitability of the Closed Block operations. Operating costs and expenses outside of the Closed Block are, therefore, disproportionate to the business outside of the Closed Block.

Summarized financial information for the Closed Block from the acquisition date through December 31, 2013 is as follows:

	As of December 31, 2013
	(Dollars In Thousands)
Closed block liabilities	
Future policy benefits, policyholders' account balances and other	$ 6,274,719
Policyholder dividend obligation	190,494
Other liabilities	1,259
Total closed block liabilities	6,466,472
Closed block assets	
Fixed maturities, available-for-sale, at fair value	4,109,142
Equity securities, available-for-sale, at fair value	5,223
Mortgage loans on real estate	594,884
Policy loans	802,013
Cash and other invested assets	140,577
Other assets	207,265
Total closed block assets	5,859,104
Excess of reported closed block liabilities over closed block assets	607,368
Portion of above representing accumulated other comprehensive income:	
Net unrealized investments gains (losses) net of deferred tax benefit of $1,074 and net of policyholder dividend obligation of $12,720	(1,994)
Future earnings to be recognized from closed block assets and closed block liabilities	$ 605,374

Reconciliation of the policyholder dividend obligation from the acquisition date through December 31, 2013 is as follows:

	For The Period Ended December 31, 2013
	(Dollars In Thousands)
Policyholder dividend obligation, at acquisition date	$ 213,350
Applicable to net revenue (losses)	(10,136)
Change in net unrealized investment gains (losses) allocated to policyholder dividend obligation	(12,720)
Policyholder dividend obligation, end of period	$ 190,494

Closed Block revenues and expenses from the acquisition date through December 31, 2013 are as follows:

	For The Period Ended December 31, 2013
	(Dollars In Thousands)
Revenues	
Premiums and other income	$ 64,171
Net investment income (loss)	51,141
Net investment gains (losses)	9,252
Total revenues	124,564
Benefits and other deductions	
Benefits and settlement expenses	113,564
Other operating expenses	548
Total benefits and other deductions	114,112
Net revenues before income taxes	10,452
Income tax expense	3,658
Net revenues	$ 6,794

5. INVESTMENT OPERATIONS

Major categories of net investment income are summarized as follows:

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
Fixed maturities	$ 1,509,544	$ 1,453,702	$ 1,416,861
Equity securities	26,923	21,187	21,274
Mortgage loans	333,145	349,877	336,542
Investment real estate	3,556	3,290	3,459
Short-term investments	75,984	64,729	69,791
	1,949,152	1,892,785	1,847,927
Other investment expenses	31,071	30,453	27,284
Net investment income	$ 1,918,081	$ 1,862,332	$ 1,820,643

Net realized investment gains (losses) for all other investments are summarized as follows:

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
Fixed maturities	$ 63,180	$ 67,726	$ 80,180
Equity securities	3,276	(45)	9,194
Impairments on fixed maturity securities	(19,100)	(58,886)	(47,442)
Impairments on equity securities	(3,347)	—	—
Modco trading portfolio	(178,134)	177,986	164,224
Other investments	(11,859)	(14,632)	(18,683)
Total realized gains (losses)—investments	$ (145,984)	$ 172,149	$ 187,473

For the year ended December 31, 2013, gross realized gains on investments available-for-sale (fixed maturities, equity securities, and short-term investments) were $72.8 million and gross realized losses were $28.0 million, including $21.7 million of impairment losses. For the year ended December 31, 2012, gross realized gains on investments available-for-sale (fixed maturities, equity securities, and short-term investments) were $73.3 million and gross realized losses were $64.0 million, including $58.4 million of impairment losses. For the year ended December 31, 2011, gross realized gains on investments available-for-sale (fixed maturities, equity securities, and short-term investments) were $104.8 million and gross realized losses were $62.1 million, including $46.7 million of impairment losses.

For the year ended December 31, 2013, the Company sold securities in an unrealized gain position with a fair value (proceeds) of $2.3 billion. The gain realized on the sale of these securities was $72.8 million. For the year ended December 31, 2012, the Company sold securities in an unrealized gain position with a fair value (proceeds) of $1.6 billion. The gain realized on the sale of these securities was $73.3 million. For the year ended December 31, 2011, the Company sold securities in an unrealized gain position with a fair value (proceeds) of $2.2 billion. The gain realized on the sale of these securities was $104.8 million.

For the year ended December 31, 2013, the Company sold securities in an unrealized loss position with a fair value (proceeds) of $398.2 million. The loss realized on the sale of these securities was $6.3 million. The Company made the decision to exit these holdings in conjunction with our overall asset liability management process.

For the year ended December 31, 2012, the Company sold securities in an unrealized loss position with a fair value (proceeds) of $38.0 million. The loss realized on the sale of these securities was $5.6 million. The Company made the decision to exit these holdings in order to reduce its European financial exposure.

For the year ended December 31, 2011, the Company sold securities in an unrealized loss position with a fair value (proceeds) of $264.0 million. The loss realized on the sale of these securities was $15.4 million. The Company made the decision to exit these holdings in order to reduce its European financial exposure.

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The amortized cost and fair value of the Company's investments classified as available-for-sale as of December 31, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Total OTTI Recognized in OCI(1)
	(Dollars In Thousands)				
2013					
Fixed maturities:					
Bonds					
Residential mortgage-backed securities	$ 1,435,477	$ 34,155	$ (24,564)	$ 1,445,068	$ 979
Commercial mortgage-backed securities	963,461	26,900	(19,705)	970,656	—
Other asset-backed securities	926,396	15,135	(69,548)	871,983	(51)
U.S. government-related securities	1,529,818	32,150	(54,078)	1,507,890	—
Other government-related securities	49,171	2,257	(1)	51,427	—
States, municipals, and political subdivisions	1,315,457	103,663	(8,291)	1,410,829	—
Corporate bonds	24,644,025	1,507,630	(392,067)	25,759,588	—
	30,863,805	1,721,890	(568,254)	32,017,441	928
Equity securities	654,579	6,631	(36,362)	624,848	—
Short-term investments	81,703	—	—	81,703	—
	$ 31,600,087	$ 1,728,521	$ (604,616)	$ 32,723,992	$ 928
2012					
Fixed maturities:					
Bonds					
Residential mortgage-backed securities	$ 1,766,440	$ 92,265	$ (19,375)	$ 1,839,330	$ (406)
Commercial mortgage-backed securities	797,844	72,577	(598)	869,823	—
Other asset-backed securities	1,023,649	12,788	(61,424)	975,013	(241)
U.S. government-related securities	1,099,001	71,537	(595)	1,169,943	—
Other government-related securities	93,565	7,258	(45)	100,778	—
States, municipals, and political subdivisions	1,188,077	255,900	(264)	1,443,713	—
Corporate bonds	17,705,440	2,725,057	(48,446)	20,382,051	(5,487)
	23,674,016	3,237,382	(130,747)	26,780,651	(6,134)
Equity securities	389,821	12,443	(10,033)	392,231	—
Short-term investments	98,877	—	—	98,877	—
	$ 24,162,714	$ 3,249,825	$ (140,780)	$ 27,271,759	$ (6,134)

(1) These amounts are included in the gross unrealized gains and gross unrealized losses columns above.

The amortized cost and fair value of the Company's investments classified as held-to-maturity as of December 31, are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Total OTTI Recognized in OCI
	(Dollars In Thousands)				
2013					
Fixed maturities:					
Other	$ 365,000	$ —	$ (29,324)	$ 335,676	$ —
	$ 365,000	$ —	$ (29,324)	$ 335,676	$ —
2012					
Fixed maturities:					
Other	$ 300,000	$ 19,163	$ —	$ 319,163	$ —
	$ 300,000	$ 19,163	$ —	$ 319,163	$ —

During the year ended December 31, 2013, the Company did not record any other-than-temporary impairments on held-to-maturity securities. The Company's held-to-maturity securities had gross unrecognized holding losses of $29.3 million. The Company does not consider these unrecognized holding losses to be other-than-temporary based on certain positive factors associated with the securities which include credit ratings, financial health of the issuer, continued access of the issuer to capital markets and other pertinent information.

As of December 31, 2013 and 2012, the Company had an additional $2.8 billion and $3.0 billion of fixed maturities, $21.2 million and $19.6 million of equity securities, and $52.4 million and $118.9 million of short-term investments classified as trading securities, respectively.

The amortized cost and fair value of available-for-sale and held-to-maturity fixed maturities as of December 31, 2013, by expected maturity, are shown below. Expected maturities of securities without a single maturity date are allocated based on estimated rates of prepayment that may differ from actual rates of prepayment.

	Available-for-sale		Held-to-maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(Dollars In Thousands)		(Dollars In Thousands)	
Due in one year or less	$ 1,016,117	$ 1,033,834	$ —	$ —
Due after one year through five years	4,987,917	5,251,806	—	—
Due after five years through ten years	9,085,348	9,334,786	—	—
Due after ten years	15,774,423	16,397,015	365,000	335,676
	$ 30,863,805	$ 32,017,441	$ 365,000	$ 335,676

During the year ended December 31, 2013, the Company recorded pre-tax other-than-temporary impairments of investments of $10.9 million, of which $7.6 million were related to fixed maturities and $3.3 million were related to equity securities. Credit impairments recorded in earnings during the year ended December 31, 2013, were $22.4 million. During the year ended December 31, 2013, $11.5 million of non-credit losses previously recorded in other comprehensive income were recorded in earnings as credit losses. There were no other-than-temporary impairments related to fixed maturities or equity securities that the Company intended to sell or expected to be required to sell for the year ended December 31, 2013.

During the year ended December 31, 2012, the Company recorded pre-tax other-than-temporary impairments of investments of $66.2 million, all of which were related to fixed maturities. Of the

$66.2 million of impairments for the year ended December 31, 2012, $58.9 million was recorded in earnings and $7.3 million was recorded in other comprehensive income (loss). There were no impairments related to equity securities. For the year ended December 31, 2012, there were no other-than-temporary impairments related to fixed maturities or equity securities that the Company intended to sell or expected to be required to sell.

During the year ended December 31, 2011, the Company recorded pre-tax other-than-temporary impairments of investments of $62.3 million, all of which were related to fixed maturities. Of the $62.3 million of impairments for the year ended December 31, 2011, $47.4 million was recorded in earnings and $14.9 million was recorded in other comprehensive income (loss). There were no impairments related to equity securities. For the year ended December 31, 2011, pre-tax other-than-temporary impairments related to fixed maturities that the Company did not intend to sell and does not expect to be required to sell were $52.8 million, with $37.9 million of credit losses recorded on fixed maturities in earnings and $14.9 million of non-credit losses recorded in other comprehensive income (loss). During the same period, other-than-temporary impairments related to fixed maturities that the Company intends to sell or expects to be required to sell were $9.5 million and were recorded in earnings.

The following chart is a rollforward of available-for-sale credit losses on fixed maturities held by the Company for which a portion of an other-than-temporary impairment was recognized in other comprehensive income (loss):

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
Beginning balance	$ 122,121	$ 69,719	$ 39,427
Additions for newly impaired securities	3,516	26,961	12,731
Additions for previously impaired securities	12,066	25,441	20,650
Reductions for previously impaired securities due to a change in expected cash flows	(88,523)	—	—
Reductions for previously impaired securities that were sold in the current period	(7,488)	—	(3,089)
Other	—	—	—
Ending balance	$ 41,692	$ 122,121	$ 69,719

The following table includes the gross unrealized losses and fair value of the Company's investments that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2013:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(Dollars In Thousands)					
Residential mortgage-backed securities	$ 333,235	$ (14,051)	$ 210,486	$ (10,513)	$ 543,721	$ (24,564)
Commercial mortgage-backed securities	429,228	(18,467)	13,840	(1,238)	443,068	(19,705)
Other asset-backed securities	175,846	(14,555)	497,512	(54,993)	673,358	(69,548)
U.S. government-related securities	891,698	(53,508)	6,038	(570)	897,736	(54,078)
Other government-related securities	10,161	(1)	—	—	10,161	(1)
States, municipalities, and political subdivisions	172,157	(8,113)	335	(178)	172,492	(8,291)
Corporate bonds	7,484,010	(353,211)	272,423	(38,856)	7,756,433	(392,067)
Equities	376,776	(27,861)	21,974	(8,501)	398,750	(36,362)
	$9,873,111	$(489,767)	$1,022,608	$(114,849)	$10,895,719	$(604,616)

RMBS have a gross unrealized loss greater than twelve months of $10.5 million as of December 31, 2013. Factors such as the credit enhancement within the deal structure, the average life of the securities, and the performance of the underlying collateral support the recoverability of these investments.

The other asset-backed securities have a gross unrealized loss greater than twelve months of $55.0 million as of December 31, 2013. This category predominately includes student-loan backed auction rate securities, the underlying collateral, of which is at least 97% guaranteed by the Federal Family Education Loan Program ("FFELP"). These unrealized losses have occurred within the Company's auction rate securities ("ARS") portfolio since the market collapse during 2008. At this time, the Company has no reason to believe that the U.S. Department of Education would not honor the FFELP guarantee, if it were necessary.

The corporate bonds category has gross unrealized losses greater than twelve months of $38.9 million as of December 31, 2013. These declines were primarily related to changes in interest rates during the period. The aggregate decline in market value of these securities was deemed temporary due to positive factors supporting the recoverability of the respective investments. Positive factors considered include credit ratings, the financial health of the issuer, the continued access of the issuer to capital markets, and other pertinent information.

The equities category has a gross unrealized loss greater than twelve months of $8.5 million as of December 31, 2013. The aggregate decline in market value of these securities was deemed temporary due to factors supporting the recoverability of the respective investments. Positive factors include credit ratings, the financial health of the issuer, the continued access of the issuer to the capital markets, and other pertinent information.

The Company does not consider these unrealized loss positions to be other-than-temporary, based on the aggregate factors discussed previously and because the Company has the ability and intent to hold these investments until the fair values recover, and does not intend to sell or expect to be required to sell the securities before recovering the Company's amortized cost of the securities.

The following table includes the gross unrealized losses and fair value of the Company's investments that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position as of December 31, 2012:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
	(Dollars In Thousands)					
Residential mortgage-backed securities	$ 101,522	$ (9,605)	$166,000	$ (9,770)	$ 267,522	$ (19,375)
Commercial mortgage-backed securities	50,601	(598)	—	—	50,601	(598)
Other asset-backed securities	479,223	(28,179)	242,558	(33,245)	721,781	(61,424)
U.S. government-related securities	107,802	(595)	—	—	107,802	(595)
Other government-related securities	14,955	(45)	—	—	14,955	(45)
States, municipalities, and political subdivisions	11,526	(264)	—	—	11,526	(264)
Corporate bonds	777,552	(23,663)	364,110	(24,783)	1,141,662	(48,446)
Equities	35,059	(5,150)	21,954	(4,883)	57,013	(10,033)
	$1,578,240	$(68,099)	$794,622	$(72,681)	$2,372,862	$(140,780)

RMBS have a gross unrealized loss greater than twelve months of $9.8 million as of December 31, 2012. The non-agency RMBS market experienced improvements during the year, but these losses represent securities where credit concerns are more pronounced. Factors such as the credit enhancement within the deal structure, the average life of the securities, and the performance of the underlying collateral support the recoverability of these investments.

The other asset-backed securities have a gross unrealized loss greater than twelve months of $33.2 million as of December 31, 2012. This category predominately includes student-loan backed auction rate securities, the underlying collateral, of which is at least 97% guaranteed by FFELP. These unrealized losses have occurred within the Company's ARS portfolio since the market collapse during 2008. At this time, the Company has no reason to believe that the U.S. Department of Education would not honor the FFELP guarantee, if it were necessary.

The corporate bonds category has gross unrealized losses greater than twelve months of $24.8 million as of December 31, 2012. These losses relate primarily to fluctuations in credit spreads. The aggregate decline in market value of these securities was deemed temporary due to positive factors supporting the recoverability of the respective investments. Positive factors considered include credit ratings, the financial health of the issuer, the continued access of the issuer to capital markets, and other pertinent information.

The equities category has a gross unrealized loss greater than twelve months of $4.9 million as of December 31, 2012. These losses primarily relate to a widening in credit spreads on perpetual preferred stock holdings. The aggregate decline in market value of these securities was deemed temporary due to factors supporting the recoverability of the respective investments. Positive factors include credit ratings, the financial health of the issuer, the continued access of the issuer to the capital markets, and other pertinent information.

The Company does not consider these unrealized loss positions to be other-than-temporary, based on the aggregate factors discussed previously and because the Company has the ability and intent to hold these investments until the fair values recover, and does not intend to sell or expect to be required to sell the securities before recovering the Company's amortized cost of debt securities.

As of December 31, 2013, the Company had securities in its available-for-sale portfolio which were rated below investment grade of $1.6 billion and had an amortized cost of $1.6 billion. In addition, included in the Company's trading portfolio, the Company held $333.9 million of securities which were rated below investment grade. Approximately $544.7 million of the below investment grade securities were not publicly traded.

The change in unrealized gains (losses), net of income tax, on fixed maturity and equity securities, classified as available-for-sale is summarized as follows:

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
Fixed maturities	$ (1,269,449)	$ 819,746	$ 761,437
Equity securities	(20,892)	8,484	(13,292)

The Company held $26.4 million of non-income producing securities for the year ended December 31, 2013.

Excluding the MONY acquisition, included in the Company's invested assets are $985.9 million of policy loans as of December 31, 2013. The interest rates on standard policy loans range from 3.0% to 8.0%. The collateral loans on life insurance policies have an interest rate of 13.64%.

Variable Interest Entities

The Company holds certain investments in entities in which its ownership interests could possibly be considered variable interests under Topic 810 of the FASB ASC (excluding debt and equity securities held as trading, available for sale, or held to maturity). The Company reviews the characteristics of each of these applicable entities and compares those characteristics to applicable criteria to determine whether the entity is a Variable Interest Entity ("VIE"). If the entity is determined to be a VIE, the Company then performs a detailed review to determine whether the interest would be considered a variable interest under the guidance. The Company then performs a qualitative review of all variable interests with the entity and determines whether the Company is the primary beneficiary. ASC 810 provides that an entity is the primary beneficiary of a VIE if the entity has 1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance, and 2) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

Based on this analysis, the Company had an interest in one wholly owned subsidiary, Red Mountain, LLC ("Red Mountain"), that was determined to be a VIE as of December 31, 2013 and 2012. The activity most significant to Red Mountain is the issuance of a note in connection with a financing transaction involving Golden Gate V Vermont Captive Insurance Company ("Golden Gate V") and the Company in which Golden Gate V issued non-recourse funding obligations to Red Mountain and Red Mountain issued the note to Golden Gate V. Credit enhancement on the Red Mountain Note is provided by an unrelated third party. For details of this transaction, see Note 11, *Debt and Other Obligations*. The Company has the power, via its 100% ownership through an affiliate, to direct the activities of the VIE, but does not have the obligation to absorb losses related to the primary risks or sources of variability to the VIE. The variability of loss would be borne primarily by the third party in its function as provider of credit enhancement on the Red Mountain Note. Accordingly, it was determined that the Company is not the primary beneficiary of the VIE. The Company's risk of loss related to the VIE is limited to its investment of $10,000. Additionally, the holding company ("PLC") has guaranteed the VIE's credit enhancement fee obligation to the unrelated third party provider. As of December 31, 2013, no payments havebeen made or required related to this guarantee.

6. MORTGAGE LOANS

Mortgage Loans

The Company invests a portion of its investment portfolio in commercial mortgage loans. As of December 31, 2013, the Company's mortgage loan holdings were approximately $5.5 billion. The Company has specialized in making loans on either credit-oriented commercial properties or credit-anchored strip shopping centers and apartments. The Company's underwriting procedures relative to its commercial loan portfolio are based, in the Company's view, on a conservative and disciplined approach. The Company concentrates on a small number of commercial real estate asset types associated with the necessities of life (retail, multi-family, professional office buildings, and warehouses). The Company believes these asset types tend to weather economic downturns better than other commercial asset classes in which it has chosen not to participate. The Company believes this disciplined approach has helped to maintain a relatively low delinquency and foreclosure rate throughout its history. The majority of the Company's mortgage loans portfolio was underwritten and funded by the Company. From time to time, the Company may acquire loans in conjunction with an acquisition.

During 2013, the Company acquired previously funded mortgage loans as part of the MONY acquisition with a fair value of $823.3 million as of the acquisition date. These loans were recorded in the Company's balance sheet at the fair value of the mortgage loans on the date of acquisition, October 1, 2013. The acquired loans had an unpaid principal balance of $857.3 million of which the Company did not expect to collect $11.0 million as of the date of acquisition.

The Company's commercial mortgage loans are stated at unpaid principal balance, adjusted for any unamortized premium or discount, and net of valuation allowances. Interest income is accrued on the principal amount of the loan based on the loan's contractual interest rate. Amortization of premiums and discounts is recorded using the effective yield method. Interest income, amortization of premiums and discounts and prepayment fees are reported in net investment income.

The following table includes a breakdown of the Company's commercial mortgage loan portfolio by property type as of December 31, 2013:

Type	Percentage of Mortgage Loans on Real Estate
Retail	60.6%
Office Buildings	14.9
Apartments	11.8
Warehouses	7.4
Other	5.3
	100.0%

The Company specializes in originating mortgage loans on either credit-oriented or credit-anchored commercial properties. No single tenant's exposure represents more than 2.0% of mortgage loans. Approximately 62.1% of the mortgage loans are on properties located in the following states:

State	Percentage of Mortgage Loans on Real Estate
Texas	11.6%
Georgia	8.6
Alabama	6.9
Florida	6.5
Tennessee	6.1
North Carolina	5.0
New York	4.7
South Carolina	4.6
Ohio	4.2
Utah	3.9
	62.1%

During 2013, the Company funded approximately $548.2 million of new loans, with an average loan size of $4.2 million. As part of the MONY acquisition, the Company added $857.3 million previously funded mortgage loans to the total mortgage loan portfolio. The average size mortgage loan in the portfolio as of December 31, 2013, was $2.8 million, and the weighted-average interest rate was 5.86%. The largest single mortgage loan was $50.0 million.

Many of the mortgage loans have call options or interest rate reset options between 3 and 10 years. However, if interest rates were to significantly increase, we may be unable to exercise the call options or increase the interest rates on our existing mortgage loans commensurate with the significantly increased market rates. Assuming the loans are called at their next call dates, approximately $94.5 million would become due in 2014, $1.2 billion in 2015 through 2019, $511.3 million in 2020 through 2024, and $134.5 million thereafter.

The Company offers a type of commercial mortgage loan under which the Company will permit a loan-to-value ratio of up to 85% in exchange for a participating interest in the cash flows from the underlying real estate. As of December 31, 2013 and December 31, 2012, approximately $666.6 million and $817.3 million, respectively, of the Company's mortgage loans have this participation feature. Cash flows received as a result of this participation feature are recorded as interest income. During the year ended December 31, 2013 and 2012, the Company recognized $17.9 million and $16.1 million of participating mortgage loan income, respectively.

As of December 31, 2013, approximately $15.9 million, or 0.03%, of invested assets consisted of nonperforming, restructured or mortgage loans that were foreclosed and were converted to real estate properties. We do not expect these investments to adversely affect our liquidity or ability to maintain proper matching of assets and liabilities. During the year ended December 31, 2013, certain mortgage loan transactions occurred that were accounted for as troubled debt restructurings under Topic 310 of the FASB ASC. For all mortgage loans, the impact of troubled debt restructurings is generally reflected in our investment balance and in the allowance for mortgage loan credit losses. Transactions accounted for as troubled debt restructurings during the year either involved the modification of payment terms pursuant to bankruptcy proceedings or included acceptance of assets in satisfaction of principal or foreclosure on collateral property, and were the result of agreements between the creditor and the debtor. With respect to the modified loans we expect to collect all amounts due related to these loans as well as expenses incurred as a result of the restructurings. Additionally, there were no material changes to the principal balance of these loans, as a result of restructuring or modifications, which was $3.2 million as of December 31, 2013. During the year a mortgage loan was paid off at a discount, the impact of this transaction resulted in a reduction of $0.5 million in the Company's investment in mortgage loans, net of existing allowances for mortgage loan losses and did not remain on the Company's balance sheets as of December 31, 2013.

The Company's mortgage loan portfolio consists of two categories of loans: (1) those not subject to a pooling and servicing agreement and (2) those subject to a contractual pooling and servicing agreements. As of December 31, 2013, $3.2 million of mortgage loans not subject to a pooling and servicing agreement were nonperforming or restructured. The Company foreclosed on three nonperforming loans of $10.5 million during the year ended December 31, 2013.

As of December 31, 2013, $2.2 million of loans subject to a pooling and servicing agreement were nonperforming. None of these nonperforming loans have been restructured during the year ended December 31, 2013. The Company did not foreclose on any nonperforming loans subject to a pooling and service agreement during the year ended December 31, 2013.

As of December 31, 2013 and December 31, 2012, the Company had an allowance for mortgage loan credit losses of $3.1 million and $2.9 million, respectively. Due to the Company's loss experience and nature of the loan portfolio, the Company believes that a collectively evaluated allowance would be inappropriate. The Company believes an allowance calculated through an analysis of specific loans that are believed to have a higher risk of credit impairment provides a more accurate presentation of expected losses in the portfolio and is consistent with the applicable guidance for loan impairments in ASC Subtopic 310. Since the Company uses the specific identification method for calculating the allowance, it is necessary to review the economic situation of each borrower to determine those that have higher risk of credit impairment. The Company has a team of professionals that monitors borrower conditions such as payment practices, borrower credit, operating performance, and property conditions, as well as ensuring the timely payment of property taxes and insurance. Through this monitoring process, the Company assesses the risk of each loan. When issues are identified, the severity of the issues are assessed and reviewed for possible credit impairment. If a loss is probable, an expected loss calculation is performed and an allowance is established for that loan based on the expected loss. The expected loss is calculated as the excess carrying value of a loan over either the present value of expected future cash flows discounted at the loan's original effective interest rate, or the current estimated fair value of the loan's underlying collateral. A loan may be subsequently charged off at such point that the Company no longer expects to receive cash payments, the present value of future expected payments of the renegotiated loan is less than the current principal balance, or at such time that the Company is party to foreclosure or bankruptcy proceedings associated with the borrower and does not expect to recover the principal balance of the loan.

A charge off is recorded by eliminating the allowance against the mortgage loan and recording the renegotiated loan or the collateral property related to the loan as investment real estate on the balance sheet, which is carried at the lower of the appraised fair value of the property or the unpaid principal balance of the loan, less estimated selling costs associated with the property:

	As of December 31, 2013	2012
	(Dollars In Thousands)	
Beginning balance	$ 2,875	$ 6,475
Charge offs	(6,838)	(9,840)
Recoveries	(1,016)	(628)
Provision	8,109	6,868
Ending balance	$ 3,130	$ 2,875

It is the Company's policy to cease to carry accrued interest on loans that are over 90 days delinquent. For loans less than 90 days delinquent, interest is accrued unless it is determined that the accrued interest is not collectible. If a loan becomes over 90 days delinquent, it is the Company's general policy to initiate foreclosure proceedings unless a workout arrangement to bring the loan current is in place. For loans subject to a pooling and servicing agreement, there are certain additional restrictions and/or requirements related to workout proceedings, and as such, these loans may have different attributes and/or circumstances affecting the status of delinquency or categorization of those in nonperforming status. An analysis of the delinquent loans is shown in the following chart as of December 31, 2013.

	30 - 59 Days Delinquent	60 - 89 Days Delinquent	Greater than 90 Days Delinquent	Total Delinquent
	(Dollars In Thousands)			
Commercial mortgage loans	$ 14,368	$ —	$ 2,208	$ 16,576
Number of delinquent commercial mortgage loans	8	—	1	9

The Company's commercial mortgage loan portfolio consists of mortgage loans that are collateralized by real estate. Due to the collateralized nature of the loans, any assessment of impairment and ultimate loss given a default on the loans is based upon a consideration of the estimated fair value of the real estate. The Company limits accrued interest income on impaired loans to ninety days of interest. Once accrued interest on the impaired loan is received, interest income is recognized on a cash basis. For information regarding impaired loans, please refer to the following chart as of December 31:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized	Cash Basis Interest Income
	(Dollars In Thousands)					
2013						
Commercial mortgage loans:						
With no related allowance recorded	$ 2,208	$ 2,208	$ —	$ 2,208	$ 31	$ —
With an allowance recorded	21,288	21,281	3,130	5,322	304	304
2012						
Commercial mortgage loans:						
With no related allowance recorded	$ 14,619	$ 16,942	$ —	$ 2,088	$ 53	$ 100
With an allowance						

recorded	13,927	13,927	2,875	3,482	154	154

7. DEFERRED POLICY ACQUISITION COSTS AND VALUE OF BUSINESS ACQUIRED

Deferred Policy Acquisition Costs

The balances and changes in DAC are as follows:

	As of December 31,	
	2013	2012
	(Dollars In Thousands)	
Balance, beginning of period	$ 2,507,892	$ 2,370,278
Capitalization of commissions, sales, and issue expenses	341,121	312,684
Amortization	(119,017)	(116,829)
Change in unrealized investment gains and losses	(8,309)	(58,241)
Balance, end of period	$ 2,721,687	$ 2,507,892

Value of Business Acquired

The balances and changes in VOBA are as follows:

	As of December 31,	
	2013	2012
	(Dollars In Thousands)	
Balance, beginning of period	731,627	877,763
Acquisitions	187,475	—
Amortization	(73,881)	(86,736)
Change in unrealized gains and losses	17,291	(59,400)
Balance, end of period	$ 862,512	$ 731,627

During 2013, the Company reclassified certain amounts which previously were reported as DAC into VOBA for purposes of presentation within the tables above. Prior years amounts have been similarly presented to make the amounts within these tables comparable for the periods presented. These changes had no effect on previously reported financial statement line items.

The expected amortization of VOBA for the next five years is as follows:

Years	Expected Amortization
	(Dollars In Thousands)
2014	$ 79,248
2015	74,663
2016	70,235
2017	66,720
2018	63,153

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8. GOODWILL

The changes in the carrying amount of goodwill by segment are as follows:

	Life Marketing	Acquisitions	Asset Protection	Corporate and Other	Total Consolidated
	(Dollars In Thousands)				
Balance as of December 31, 2011	$ 10,192	$ 38,713	$ 62,671	$ 83	$ 111,659
Tax benefit of excess tax goodwill	—	(3,098)	—	—	(3,098)
Balance as of December 31, 2012	10,192	35,615	62,671	83	108,561
Tax benefit of excess tax goodwill	—	(3,098)	—	—	(3,098)
Balance as of December 31, 2013	$ 10,192	$ 32,517	$ 62,671	$ 83	$ 105,463

During the year ended December 31, 2013 and 2012, the Company decreased its goodwill balance by approximately $3.1 million and $3.1 million, respectively. The decreases were due to an adjustment in the Acquisitions segment related to tax benefits realized during 2013 and 2012 on the portion of tax goodwill in excess of GAAP basis goodwill. See Note 2, *Summary of Significant Accounting Policies* for additional information.

9. CERTAIN NONTRADITIONAL LONG-DURATION CONTRACTS

The Company issues variable universal life and VA products 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. The Company also offers, for our VA products, various account value guarantees upon death. The most significant of these guarantees involve 1) return of the highest anniversary date account value, or 2) return of the greater of the highest anniversary date account value or the last anniversary date account value compounded at 5% interest or 3) return of premium. The GMWB rider is classified as an embedded derivative and is carried at fair value on the Company's balance sheet. The VA separate account balances subject to GMWB were $9.5 billion as of December 31, 2013. For more information regarding the valuation of and income impact of GMWB, please refer to Note 2, *Summary of Significant Accounting Policies*, Note 22, *Fair Value of Financial Instruments*, and Note 23, *Derivative Financial Instruments*.

The GMDB reserve is calculated by applying a benefit ratio, equal to the present value of total expected GMDB claims divided by the present value of total expected contract assessments, to cumulative contract assessments. This amount is then adjusted by the amount of cumulative GMDB claims paid and accrued interest. Assumptions used in the calculation of the GMDB reserve were as follows: mean investment performance of 6.7%, age-based mortality from the National Association of Insurance Commissioners 1994 Variable Annuity MGDB Mortality Table for company experience with attained age factors varying from 49% - 80%, lapse rates ranging from 0% - 24% (depending on product type and duration), and an average discount rate of 6.2%. Changes in the GMDB reserve are included in benefits and settlement expenses in the accompanying consolidated statements of income.

The VA separate account balances subject to GMDB were $12.6 billion as of December 31, 2013. The total GMDB amount payable based on VA account balances as of December 31, 2013, was $106.6 million (including $90.0 million in the Annuities segment and $16.6 million in the Acquisitions segment) with a GMDB reserve of $16.0 million and $0.3 million in the Annuities and Acquisitions segment, respectively. The average attained age of contract holders as of December 31, 2013 for the Company was 68.

These amounts exclude the VA business of the Chase Insurance Group, acquired in 2006, which consisted of five insurance companies that manufactured and administered traditional life insurance and annuity products and four non-insurance companies (which collectively are referred to as the "Chase Insurance Group") which has been 100% reinsured to Commonwealth Annuity and Life Insurance Company (formerly known as Allmerica Financial Life Insurance and Annuity Company) ("CALIC"), under a Modco agreement. The guaranteed amount payable associated with the annuities reinsured to CALIC was $13.8 million and is included in the Acquisitions segment. The average attained age of contract holders as of December 31, 2013, was 64.

Activity relating to GMDB reserves (excluding those 100% reinsured under the Modco agreement) is as follows:

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
Beginning balance	$ 19,606	$ 9,798	$ 6,412
Incurred guarantee benefits	(260)	14,087	7,171
Less: Paid guarantee benefits	3,062	4,279	3,785
Ending balance	$ 16,284	$ 19,606	$ 9,798

Account balances of variable annuities with guarantees invested in VA separate accounts are as follows:

	As of December 31,	
	2013	2012
	(Dollars In Thousands)	
Equity mutual funds	$ 7,984,198	$ 6,171,196
Fixed income mutual funds	4,606,093	3,381,581
Total	$ 12,590,291	$ 9,552,777

Certain of the Company's fixed annuities and universal life products have a sales inducement in the form of a retroactive interest credit ("RIC"). In addition, certain annuity contracts provide a sales inducement in the form of a bonus interest credit. The Company maintains a reserve for all interest credits earned to date. The Company defers the expense associated with the RIC and bonus interest credits each period and amortizes these costs in a manner similar to that used for DAC.

Activity in the Company's deferred sales inducement asset was as follows:

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
Deferred asset, beginning of period	$ 143,949	$ 125,527	$ 112,147
Amounts deferred	15,274	23,362	29,472
Amortization	(12,572)	(4,940)	(16,092)
Deferred asset, end of period	$ 146,651	$ 143,949	$ 125,527

10. REINSURANCE

The Company reinsures certain of its risks with (cedes), and assumes risks from, other insurers under yearly renewable term, coinsurance, and modified coinsurance agreements. Under yearly renewable term agreements, the Company reinsures only the mortality risk, while under coinsurance the Company reinsures a proportionate share of all risks arising under the reinsured policy. Under coinsurance, the reinsurer receives a proportionate share of the premiums less commissions and is liable for a corresponding share of all benefit payments. Modified coinsurance is accounted for in a manner similar to coinsurance except that the liability for future policy benefits is held by the ceding company, and settlements are made on a net basis between the companies.

Reinsurance ceded arrangements do not discharge the Company as the primary insurer. Ceded balances would represent a liability of the Company in the event the reinsurers were unable to meet their obligations to us under the terms of the reinsurance agreements. The Company continues to monitor the consolidation of reinsurers and the concentration of credit risk the Company has with any reinsurer, as well as the financial condition of its reinsurers. As of December 31, 2013, the Company had reinsured approximately 54% of the face value of its life insurance in-force. The Company has reinsured approximately 23% of the face value of its life insurance in-force with the following three reinsurers:

- Security Life of Denver Insurance Co. (currently administered by Hanover Re)
- Swiss Re Life & Health America Inc.
- Lincoln National Life Insurance Co. (currently administered by Swiss Re Life & Health America Inc.)

The Company has not experienced any credit losses for the years ended December 31, 2013, 2012, or 2011 related to these reinsurers. The Company has set limits on the amount of insurance retained on the life of any one person. In 2005, the Company increased its retention for certain newly issued traditional life products from $500,000 to $1,000,000 on any one life. During 2008, the Company increased its retention limit to $2,000,000 on certain of its traditional and universal life products.

Reinsurance premiums, commissions, expense reimbursements, benefits, and reserves related to reinsured long-duration contracts are accounted for over the life of the underlying reinsured contracts using assumptions consistent with those used to account for the underlying contracts. The cost of reinsurance related to short-duration contracts is accounted for over the reinsurance contract period. Amounts recoverable from reinsurers, for both short-and long-duration reinsurance arrangements, are estimated in a manner consistent with the claim liabilities and policy benefits associated with reinsured policies.

The following table presents the net life insurance in-force:

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Millions)		
Direct life insurance in-force	$ 726,697	$ 706,416	$ 728,670
Amounts assumed from other companies	46,752	30,470	32,813
Amounts ceded to other companies	(416,809)	(444,951)	(469,530)
Net life insurance in-force	$ 356,640	$ 291,935	$ 291,953
Percentage of amount assumed to net	13%	10%	11%

The following table reflects the effect of reinsurance on life insurance premiums written and earned:

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Millions)		
Direct premiums	$ 2,372	$ 2,227	$ 2,245
Reinsurance assumed	307	282	248
Reinsurance ceded	(1,248)	(1,229)	(1,278)
Net premiums[(1)]	$ 1,431	$ 1,280	$ 1,215
Percentage of amount assumed to net	22%	22%	20%

(1) Includes annuity policy fees of $140.7 million, $103.8 million, and $74.9 million for the years ended December 31, 2013, 2012, and 2011, respectively.

The Company has also reinsured accident and health risks representing $20.0 million, $12.1 million, and $14.5 million of premium income, while the Company has assumed accident and health risks representing $24.3 million, $29.4 million, and $21.7 million of premium income for 2013, 2012, and 2011, respectively. In addition, the Company reinsured property and casualty risks representing $109.5 million, $105.3 million, and $102.0 million of premium income, while the Company assumed property and casualty risks representing $8.0 million, $6.8 million, and $6.3 million of premium income for 2013, 2012, and 2011, respectively.

As of December 31, 2013 and 2012, policy and claim reserves relating to insurance ceded of $6.1 million and $5.7 million, respectively, are included in reinsurance receivables. Should any of the reinsurers be unable to meet its obligation at the time of the claim, the Company would be obligated to pay such claims. As of December 31, 2013 and 2012, the Company had paid $79.7 million and $105.0 million, respectively, of ceded benefits which are recoverable from reinsurers. In addition, as of December 31, 2013 and 2012, the Company had receivables of $66.1 million and $66.1 million, respectively, related to insurance assumed.

The Company's third party reinsurance receivables amounted to $6.2 billion and $5.8 billion as of December 31, 2013 and 2012, respectively. These amounts include ceded reserve balances and ceded benefit payments. The ceded benefit payments are recoverable from reinsurers. The following table sets forth the receivables attributable to our more significant reinsurance partners:

	As of December 31,			
	2013		2012	
	Reinsurance Receivable	A.M. Best Rating	Reinsurance Receivable	A.M. Best Rating
	(Dollars In Millions)			
Swiss Re Life & Health America, Inc.	$ 823.0	A+	$ 739.6	A+
Security Life of Denver Insurance Company	819.3	A	768.9	A
Lincoln National Life Insurance Co.	553.7	A+	515.2	A+
Transamerica Life Insurance Co.	531.1	A+	524.1	A+
RGA Reinsurance Company	419.1	A+	377.6	A+
SCOR Global Life USA Reinsurance Company	402.7	A	237.3	A
American United Life Insurance Company	342.2	A+	334.8	A+
Scottish Re (U.S.) Inc.(1)	305.1	NR	290.7	NR
Employers Reassurance Corporation	289.2	A-	287.9	A-
Centre Reinsurance (Bermuda) Ltd	281.6	NR	—	NR

(1) As of July 30, 2013, Scottish Re Life Corporation was merged with and into Scottish Re (U.S.), Inc., and for comparative purposes the 2012 reinsurance receivable from these two companies has been combined.

The Company's reinsurance contracts typically do not have a fixed term. In general, the reinsurers' ability to terminate coverage for existing cessions is limited to such circumstances as material breach of contract or non-payment of premiums by the ceding company. The reinsurance contracts generally contain provisions intended to provide the ceding company with the ability to cede future business on a basis consistent with historical terms. However, either party may terminate any of the contracts with respect to future business upon appropriate notice to the other party.

Generally, the reinsurance contracts do not limit the overall amount of the loss that can be incurred by the reinsurer. The amount of liabilities ceded under contracts that provide for the payment of experience refunds is immaterial.

11. DEBT AND OTHER OBLIGATIONS

Debt and Subordinated Debt Securities

Debt and subordinated debt securities are summarized as follows:

	As of December 31, 2013	As of December 31, 2012
	(Dollars In Thousands)	
Debt (year of issue):		
Revolving Line Of Credit	$ 485,000	$ 50,000
4.30% Senior Notes (2003), due 2013	—	250,000
4.875% Senior Notes (2004), due 2014	150,000	150,000
6.40% Senior Notes (2007), due 2018	150,000	150,000
7.375% Senior Notes (2009), due 2019	400,000	400,000
8.00% Senior Notes (2009), due 2024, callable 2014	100,000	100,000
8.45% Senior Notes (2009), due 2039	300,000	300,000
	$ 1,585,000	$ 1,400,000
Subordinated debt securities (year of issue):		
6.125% Subordinated Debentures (2004), due 2034, callable 2009	$ 103,093	$ 103,093
6.25% Subordinated Debentures (2012) due 2042, callable 2017	287,500	287,500
6.00% Subordinated Debentures (2012) due 2042, callable 2017	150,000	150,000
	$ 540,593	$ 540,593

During the year ended December 31, 2013, $250.0 million of the Company's Senior Notes matured and were paid in full, along with applicable accrued interest.

The Company's future maturities of debt, excluding notes payable to banks and subordinated debt securities, are $150.0 million in 2014, $150.0 million in 2018, and $800.0 million thereafter.

The Company has access to a Credit Facility that provides the ability to borrow on unsecured basis up to an aggregate principal amount of $750 million. The Company has the right in certain circumstances to request that the commitment under the Credit Facility be increased up to a maximum principal amount of $1.0 billion. Balances outstanding under the Credit Facility accrue interest at a rate equal to, at the option of the Borrowers, (i) LIBOR plus a spread based on the ratings of the Company's senior unsecured long-term debt ("Senior Debt"), or (ii) the sum of (A) a rate equal to the highest of (x) the Administrative Agent's prime rate, (y) 0.50% above the Federal Funds rate, or (z) the one-month LIBOR plus 1.00% and (B) a spread based on the ratings of the Company's Senior Debt. The Credit Facility also provides for a facility fee at a rate that varies with the ratings of the Company's Senior Debt and that is calculated on the aggregate amount of commitments under the Credit Facility, whether used or unused. The maturity date on the Credit Facility is July 17, 2017. There was anoutstanding balance of $485.0 million at an interest rate of LIBOR plus 1.20% under the Credit Facility as of December 31, 2013.

The following is a summary of the Company's estimated debt covenant calculations as of December 31, 2013:

	Requirement	Actual Results
Consolidated net worth margin	greater than or equal to 0	greater than $800 million
Debt to total capital ratio*	less than 40%	approximately 31%
Total adjusted capital margin	greater than or equal to 0	approximately $1.8 billion
Interest cash inflow available compared to adjusted consolidated interest expense	greater than 2.0 to 1	greater than 9.0 to 1

* Excludes $800 million of senior notes issued in 2009

The Company has also accessed capital from subordinated debt securities issued to a wholly owned subsidiary trust of which $103.1 million was outstanding as of December 31, 2013 and 2012. Securities currently outstanding were offered through a trust (PLC Capital Trust V). The trust was formed solely to issue preferred securities ("TOPrS") and use the proceeds thereof to purchase the Company's subordinated debentures. The sole assets of the trust are these subordinated debt securities. The Company irrevocably guarantees the principal obligations of the trust. Under the terms of the subordinated debentures, the Company has the right to extend interest payment periods up to five consecutive years. Consequently, dividends on the preferred securities may be deferred (but will continue to accumulate, together with additional dividends on any accumulated but unpaid dividends at the dividend rate) by the trusts during any such extended interest payment period.

In October 2004, the Company closed on offerings of $150.0 million of 4.875% Senior Notes due in 2014. These senior notes were offered and sold pursuant to the Company's shelf registration statement on Form S-3. Under the terms of the Senior Notes, interest is payable semi-annually on May 1 and November 1 of each year, commencing on May 1, 2005.

In December 2007, the Company issued a new series of debt securities of $150.0 million of 6.40% Senior Notes due 2018 (the "Senior Notes"), from which net proceeds of approximately $148.7 million were received. Under the terms of the Senior Notes, interest on the Senior Notes is payable semi-annually in arrears on January 15 and July 15. The maturity date is January 15, 2018.

On October 9, 2009, the Company closed on offerings of $400 million of its senior notes due in 2019, $100 million of its senior notes due in 2024, and $300 million of its senior notes due in 2039, for an aggregate principal amount of $800 million. These senior notes were offered and sold pursuant to the Company's shelf registration statement on Form S-3. The Company used the net proceeds from the offering of the Notes to purchase $800 million in aggregate principal amount of newly-issued surplus notes of Golden Gate. Golden Gate used a portion of the proceeds from the sale of the surplus notes to the Company to repurchase, at a discount, $800 million in aggregate principal amount of its outstanding Series A floating rate surplus notes that were held by third parties. As a result of these transactions, the Company is the sole holder of the total $800.0 million of outstanding Golden Gate surplus notes, which is eliminated at the consolidated level.

During 2012, the Company issued $287.5 million of its Subordinated Debentures due in 2042. These Subordinated Debentures were offered and sold pursuant to the Company's shelf registration statement on Form S-3. The Company used the net proceeds from the offering to call $103.1 million of Subordinated Debentures due 2031, $118.6 million of Subordinated Debentures due in 2032 and $75.0 million of Capital Securities due in 2066 at par value. The transaction resulted in an expense of $7.2 million, for the year ended December 31, 2012, related to the write off of deferred issue costs associated with the called Debentures.

During 2012, the Company issued $150.0 million of its Subordinated Debentures due in 2042. These Subordinated Debentures were offered and sold pursuant to the Company's shelf registration statement on Form S-3. The Company used the net proceeds from the offering to call $125.0 million of Capital Securities due in 2066 at par value and the remaining for general working capital purposes. The transaction resulted in an expense of $4.0 million related to the write off of deferred issue costs associated with the called Debentures.

During the three month period ended June 30, 2013, the Company's 4.30% Senior notes issued in 2003 matured. The maturity resulted in the payment of $250.0 million of principal to the holders of the senior notes on June 3, 2013. The Company borrowed an additional $250.0 million from its Credit Facility to finance the final principal payment.

Non-Recourse Funding Obligations

Golden Gate II Captive Insurance Company

Golden Gate II Captive Insurance Company ("Golden Gate II"), a special purpose financial captive insurance company wholly owned by PLICO, had $575 million of outstanding non-recourse funding obligations as of December 31, 2013. These outstanding non-recourse funding obligations were issued to special purpose trusts, which in turn issued securities to third parties. Certain of our affiliates own a portion of these securities. As of December 31, 2013, securities related to $194.9 million of the outstanding balance of the non-recourse funding obligations were held by external parties and securities related to $380.1 million of the non-recourse funding obligations were held by the Company and our affiliates. The Company has entered into certain support agreements with Golden Gate II obligating the Company to make capital contributions or provide support related to certain of Golden Gate II's expenses and in certain circumstances, to collateralize certain of the Company's obligations to Golden Gate II. These support agreements provide that amounts would become payable by the Company to Golden Gate II if its annual general corporate expenses were higher than modeled amounts or if Golden Gate II's investment income on certain investments or premium income was below certain actuarially determined amounts. As of December 31, 2013, no payments have been made under these agreements.

Golden Gate V Vermont Captive Insurance Company

On October 10, 2012, Golden Gate V and Red Mountain, indirect wholly owned subsidiaries of the Company, entered into a 20-year transaction to finance up to $945 million of "AXXX" reserves related to a block of universal life insurance policies with secondary guarantees issued by our direct wholly owned subsidiary PLICO and indirect wholly owned subsidiary, West Coast Life Insurance Company ("WCL"). Golden Gate V issued non-recourse funding obligations to Red Mountain, and Red Mountain issued a note with an initial principal amount of $275 million, increasing to a maximum of $945 million in 2027, to Golden Gate V for deposit to a reinsurance trust supporting Golden Gate V's obligations under a reinsurance agreement with WCL, pursuant to which WCL cedes liabilities relating to the policies of WCL and retrocedes liabilities relating to the policies of PLICO. Through the structure, Hannover Life Reassurance Company of America ("Hannover Re"), the ultimate risk taker in the transaction, provides credit enhancement to the Red Mountain note for the 20-year term in exchange for a fee. The transaction is "non-recourse" to Golden Gate V, Red Mountain, WCL, PLICO and the Company, meaning that none of these companies are liable for the reimbursement of any credit enhancement payments required to be made. As of December 31, 2013, the principal balance of the Red Mountain note was $365 million. In connection with the transaction, the Company has entered into certain support agreements under which it guarantees or otherwise supports certain obligations of Golden Gate V or Red Mountain. Future scheduled capital contributions to prefund credit enhancement fees amount to approximately $144.3 million and will be paid in annual installments through 2031. The support agreements provide that amounts would become payable by the Company if Golden Gate V's annual general corporate expenses were higher than modeled amounts or in the event write-downs due to other-than-temporary impairments on assets held in certain accounts exceed defined threshold levels. Additionally, the Company has entered into separate agreements to indemnify Golden Gate V with respect to material adverse changes in non-guaranteed elements of insurance policies reinsured by Golden Gate V, and to guarantee payment of certain fee amounts in connection with the credit enhancement of the Red Mountain note. As of December 31, 2013, no payments have been made under these agreements.

In connection with the transaction outlined above, Golden Gate V had a $365 million outstanding non-recourse funding obligation as of December 31, 2013. This non-recourse funding obligation matures in 2037, has scheduled increases in principal to a maximum of $945 million, and accrues interest at a fixed annual rate of 6.25%.

Non-recourse funding obligations outstanding as of December 31, 2013, on a consolidated basis, are shown in the following table:

Issuer	Balance	Maturity Year	Year-to-Date Weighted-Avg Interest Rate
	(Dollars In Thousands)		
Golden Gate II Captive Insurance Company	$ 194,900	2052	0.97%
Golden Gate V Vermont Captive Insurance Company[(1)]	365,000	2037	6.25%
MONY Life Insurance Company[(1)]	2,548	2024	6.63%
Total	$ 562,448		

(1) Fixed rate obligations

During 2013, the Company repurchased $91.1 million of its outstanding non-recourse funding obligations, at a discount. These repurchases resulted in a $20.0 million pre-tax gain for the Company. For the year ended December 31, 2012, the Company repurchased $121.8 million of its outstanding non-recourse funding obligations, at a discount. These repurchases resulted in a $38.4 million pre-tax gain for the Company. These gains are recorded in other income in the consolidated statements of income.

Letters of Credit

Golden Gate III Vermont Captive Insurance Company ("Golden Gate III"), a Vermont special purpose financial captive insurance company and wholly owned subsidiary of PLICO, is party to a Reimbursement Agreement (the "Reimbursement Agreement") with UBS AG, Stamford Branch ("UBS"), as issuing lender. Under the original Reimbursement Agreement, dated April 23, 2010, UBS issued a letter of credit (the "LOC") in the initial amount of $505 million to a trust for the benefit of WCL. The Reimbursement Agreement was subsequently amended and restated effective November 21, 2011 (the "First Amended and Restated Reimbursement Agreement"), to replace the existing LOC with one or more letters of credit from UBS, and to extend the maturity date from April 1, 2018, to April 1, 2022. On August 7, 2013, the Company entered into a Second Amended and Restated Reimbursement Agreement with UBS (the "Second Amended and Restated Reimbursement Agreement"), which amended and restated the First Amended and Restated Reimbursement Agreement. Under the Second and Amended and Restated Reimbursement Agreement a new LOC in an initial amount of $710 million was issued by UBS in replacement of the existing LOC issued under the First Amended and Restated Reimbursement Agreement. The term of the LOC was extended from April 1, 2022 to October 1, 2023, subject to certain conditions being satisfied including scheduled capital contributions being made to Golden Gate III by one of its affiliates. The maximum stated amount of the LOC was increased from $610 million to $720 million in 2015 if certain conditions are met. The LOC is held in trust for the benefit of WCL, and supports certain obligations of Golden Gate III to WCL under an indemnity reinsurance agreement originally effective April 1, 2010, as amended and restated on November 21, 2011, and as further amended and restated on August 7, 2013 to include an additional block of policies, and pursuant to which WCL cedes liabilities relating to the policies of WCL and retrocedes liabilities relating to the policies of PLICO. The LOC balance was $715 million as of December 31, 2013. Subject to certain conditions, the amount of the LOC will be periodically increased up to a maximum of $720 million in 2015. The term of the LOC is expected to be approximately 13.5 years from the original issuance date. This transaction is "non-recourse" to WCL, PLICO, and the Company, meaning that none of these companies other than Golden Gate III are liable for reimbursement on a draw of the LOC. The Company has entered into certain support agreements with Golden Gate III obligating the Company to make capital contributions or provide support related to certain of Golden Gate III's expenses and in certain circumstances, to collateralize certain of the Company's obligations to Golden Gate III. Future scheduled capital contributions amount to approximately $149.8 million and will be paid in three installments with the last payment occurring in 2019, and these contributions may be subject to potential offset against dividend payments as permitted under the terms of the Second Amended and Restated Reimbursement Agreement. The support agreements provide that amounts would become payable by the Company to Golden Gate III if its annual general corporate expenses were higher than modeled amounts or if specified catastrophic losses occur during defined time periods with respect to the policies reinsured by Golden Gate III. Pursuant to the terms of an amended and restated letter agreement with UBS, the Company has continued to guarantee the payment of fees to UBS as specified in the Second and Amended and Restated Agreement. As of December 31, 2013, no payments have been made under these agreements.

Golden Gate IV Vermont Captive Insurance Company ("Golden Gate IV"), a Vermont special purpose financial captive insurance company and wholly owned subsidiary of PLICO, is party to a Reimbursement Agreement with UBS AG, Stamford Branch, as issuing lender. Under the Reimbursement Agreement, dated December 10, 2010, UBS issued an LOC in the initial amount of $270 million to a trust for the benefit of WCL. The LOC balance has increased, in accordance with the terms of the Reimbursement Agreement, during each quarter of 2013 and was $700 million as of December 31, 2013. Subject to certain conditions, the amount of the LOC will be periodically increased up to a maximum of $790 million in 2016. The term of the LOC is expected to be 12 years from the original issuance date (stated maturity of December 30, 2022). The LOC was issued to support certain obligations of Golden Gate IV to WCL under an indemnity reinsurance agreement, pursuant to which WCL cedes liabilities relating to the policies of WCL and retrocedes liabilities relating to the policies of PLICO. This transaction is "non-recourse" to WCL, PLICO, and the Company, meaning that none of these companies other than Golden Gate IV are liable for reimbursement on a draw of the LOC. The Company has entered into certain support agreements with Golden Gate IV obligating the Company to make capital contributions or provide support related to certain of Golden Gate IV's expenses and in certain circumstances, to collateralize certain of the Company's obligations to Golden Gate IV. The support agreements provide that amounts would become payable by the Company to Golden Gate IV if its annual general corporate expenses were higher than modeled amounts or if specified catastrophic losses occur during defined time periods with respect to the policies reinsured by Golden Gate IV. The Company has also entered into a separate agreement to guarantee the payments of LOC fees under the terms of the Reimbursement Agreement. As of December 31, 2013, no payments have been made under these agreements.

Repurchase Program Borrowings

While the Company anticipates that the cash flows of its operating subsidiaries will be sufficient to meet its investment commitments and operating cash needs in a normal credit market environment, the Company recognizes that investment commitments scheduled to be funded may, from time to time, exceed the funds then available. Therefore, the Company has established repurchase agreement programs for certain of its insurance subsidiaries to provide liquidity when needed. The Company expects that the rate received on its investments will equal or exceed its borrowing rate. Under this program, the Company may, from time to time, sell an investment security at a specific price and agree to repurchase that security at another specified price at a later date. These borrowings are for a term less than ninety days. The market value of securities to be repurchased is monitored and collateral levels are adjusted where appropriate to protect the counterparty against credit exposure. The agreements provided for net settlement in the event of default or on termination of the agreements. As of December 31, 2013, the fair value of securities pledged under the repurchase program was $384.4 million and the repurchase obligation of $350.0 million was included in the Company's consolidated balance sheets (at an average borrowing rate of 10 basis points). During the year ended December 31, 2013, the maximum balance outstanding at any one point in time related to these programs was $815.0 million. The average daily balance was $496.9 million (at an average borrowing rate of 11 basis points) during the year ended December 31, 2013. As of December 31,2012, the Company had a $150.0 million outstanding balance related to such borrowings. During 2012, the maximum balance outstanding at any one point in time related to these programs was $425.0 million. The average daily balance was $266.3 million (at an average borrowing rate of 14 basis points) during the year ended December 31, 2012.

Interest Expense

Interest expense on long-term debt and subordinated debt securities totaled $123.8 million, $131.5 million, and $130.9 million in 2013, 2012, and 2011, respectively. The $7.7 million favorable variance was primarily related to a $6.4 million favorable variance resulting from a paydown ofsenior notes in 2013 and $3.7 million favorable variance resulting from the refinancing of subordinated debt in 2012 at lower rates. These favorable variances were offset by increased interest expense on the Company's Credit Facility of $2.5 million. The interest expense on non-recourse funding obligations and other obligations was $47.5 million, $28.7 million, and $28.2 million in 2013, 2012, and 2011, respectively. The $18.8 million unfavorable varianc was primarily due to increased interest expense on the Golden Gate V non-recourse funding obligation of $17.3 million and $2.2 million increased interest expense on Golden Gate III letter of credit and an increase in Golden Gate V's non-recourse funding obligations. These unfavorable variances were offset by reductions in interest expense as a result of the Company's repurchase of non-recourse funding obligations during the year.

12. COMMITMENTS AND CONTINGENCIES

The Company has entered into indemnity agreements with each of its current directors that provide, among other things and subject to certain limitations, a contractual right to indemnification to the fullest extent permissible under the law. The Company has agreements with certain of its officers providing up to $10 million in indemnification. These obligations are in addition to the customary obligation to indemnify officers and directors contained in the Company's governance documents.

The Company leases administrative and marketing office space in approximately 19 cities including 24,090 square feet in Birmingham (excluding the home office building), with most leases being for periods of three to ten years. The Company had rental expense of $7.0 million, $7.1 million, and $6.8 million for the years ended December 31, 2013, 2012, and2011, respectively. The aggregate annualized rent was approximately $7.0 million fo the year ended December 31, 2013. The following is a schedule by year of future minimum rental payments required under these leases:

Year	Amount (Dollars In Thousands)
2014	$ 6,971
2015	5,845
2016	3,770
2017	1,391
2018	750
Thereafter	1,978

Additionally, the Company leases a building contiguous to its home office. The lease was renewed in December 2013 and was extended to December 2018. At the end of the lease term the Company may purchase the building for approximately $75 million. Monthly rental payments are based on the current

LIBOR rate plus a spread. The following is a schedule by year of future minimum rental payments required under this lease:

Year	Amount (Dollars In Thousands)
2014	$ 1,236
2015	1,236
2016	1,239
2017	1,236
2018	76,211

As of December 31, 2013 and 2012, the Company had outstanding mortgage loan commitments of $322.8 million at an average rate of 4.93% and $182.6 million at an average rate of 5.10%, respectively.

Under insurance guaranty fund laws, in most states insurance companies doing business therein can be assessed up to prescribed limits for policyholder losses incurred by insolvent companies. In addition, from time to time, companies may be asked to contribute amounts beyond prescribed limits. Most insurance guaranty fund laws provide that an assessment may be excused or deferred if it would threaten an insurer's own financial strength. The Company does not believe its insurance guaranty fund assessments will be materially different from amounts already provided for in the financial statements.

A number of civil jury verdicts have been returned against insurers, broker dealers and other providers of financial services involving sales, refund or claims practices, alleged agent misconduct, failure to properly supervise representatives, relationships with agents or persons with whom the insurer does business, and other matters. Often these lawsuits have resulted in the award of substantial judgments that are disproportionate to the actual damages, including material amounts of punitive and non-economic compensatory damages. In some states, juries, judges, and arbitrators have substantial discretion in awarding punitive non-economic compensatory damages which creates the potential for unpredictable material adverse judgments or awards in any given lawsuit or arbitration. Arbitration awards are subject to very limited appellate review. In addition, in some class action and other lawsuits, companies have made material settlement payments. Publicly held companies in general and the financial services and insurance industries in particular are also sometimes the target of law enforcement and regulatory investigations relating to the numerous laws and regulations that govern such companies. Some companies have been the subject of law enforcement or regulatory actions or other actions resulting from such investigations. The Company, in the ordinary course of business, is involved in such matters.

The Company establishes liabilities for litigation and regulatory actions when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. For matters where a loss is believed to be reasonably possible, but not probable, no liability is established. For such matters, the Company may provide an estimate of the possible loss or range of loss or a statement that such an estimate cannot be made. The Company reviews relevant information with respect to litigation and regulatory matters on a quarterly and annual basis and updates its established liabilities, disclosures and estimates of reasonably possible losses or range of loss based on such reviews.

Although the Company cannot predict the outcome of any litigation or regulatory action, the Company does not believe that any such outcome will have an impact, either individually or in the aggregate, on its financial condition or results of operations that differs materially from the Company's established liabilities. Given the inherent difficulty in predicting the outcome of such matters, however, it is possible that an adverse outcome in certain such matters could be material to the Company's financial condition or results of operations for any particular reporting period.

The Company was audited by the IRS and the IRS proposed favorable and unfavorable adjustments to the Company's 2003 through 2007 reported taxable incomes. The Company protested certain unfavorable adjustments and sought resolution at the IRS' Appeals Division. The case has followed normal procedure and is now under review at Congress' Joint Committee on Taxation. The Company believes the matter will conclude within the next twelve months. If the IRS prevails on every issue that it identified in this audit, and the Company does not litigate these issues, then the Company will make an income tax payment of approximately $26.6 million. However, this payment, if it were to occur, would not materially impact the Company or its effective tax rate.

As discussed in Note 3, *Significant Acquisitions*, through the acquisition of MONY by PLICO certain income tax credit carryforwards (which arose in MONY's pre-acquisition tax years) transferred to the Company. This transfer was in accordance with the applicable rules of the Internal Revenue Code and the related Regulations. In spite of this transfer, AXA (the former parent of the consolidated income tax return group in which MONY was a member) retains the right to utilize these credits in the future to offset future increases in its 2010 through 2013 tax liabilities. The Company has determined that, based on all information known as of the acquisition date and through the December 31, 2013 reporting date, it is probable that a loss of the utilization of these carryforwards has been incurred and the amount of the loss can be reasonably estimated. Accordingly, in the table summarizing the fair value of net assets acquired from the Acquisition, the amount of the deferred tax asset from the credit carryforwards has been offset by the aforementioned liability. However, given the inherent difficulty in predicting the ultimate outcome of such matters, it is possible that adjustments to the values of this deferred tax asset and the related liability may occur in future reporting periods.

The Company has received notice from two third party auditors that certain of the Company's insurance subsidiaries, as well as certain other insurance companies for which the Company has co-insured blocks of life insurance and annuity policies, will be audited for compliance with the unclaimed property laws of a number of states. The audits are being conducted on behalf of the treasury departments or unclaimed property administrators in such states. The focus of the audits is on whether there have been unreported deaths, maturities, or policies that have exceeded limiting age with respect to which death benefits or other payments under life insurance or annuity policies should be treated as unclaimed property that should be escheated to the state. The Company has recorded a reserve with respect to life insurance policies issued by the Company's subsidiaries and certain co-insured blocks of life insurance policies issued by other companies in connection with these pending audits. The Company does not consider the amount of this reserve to be material to the Company's financial condition or results of operations. With respect to a separate block of life insurance policies that is co-insured by a subsidiary of the Company, the Company is presently unable to estimate the reasonably possible loss or range of loss due to a number of factors, including uncertainty as to the legal theory or theories that may give rise to liability, uncertainty as to whether the Company or other companies are responsible for the liabilities, if any, arising in connection with such policies, the distinct characteristics of this co-insured block of policies which differentiate it from the blocks of life insurance policies for which the Company has recorded a reserve, and the initial stages of the audits being conducted. The Company will continue to monitor the matter for any developments that would make the loss contingency associated with this block of co-insured policies probable or reasonably estimable.

Certain of the Company's subsidiaries have received notice that they are subject to a targeted multi-state examination with respect to their claims paying practices and their use of the U.S. Social Security Administration's Death Master File or similar databases (a "Death Database") to identify unreported deaths in their life insurance policies, annuity contracts and retained asset accounts. There is no clear basis in previously existing law for requiring a life insurer to search for unreported deaths in order to determine whether a benefit is owed, and substantial legal authority exists to support the position that the prevailing industry practice was lawful. A number of life insurers, however, have entered into settlement or consent agreements with state insurance regulators under which the life insurers agreed to implement procedures for periodically comparing their life insurance and annuity contracts and retained asset accounts against a Death Database, treating confirmed deaths as giving rise to a death benefit under their policies, locating beneficiaries and paying them the benefits and interest, and escheating the benefits and interest as well as penalties to the state if the beneficiary could not be found. It has been publicly reported that the life insurers have paid substantial administrative and/or examination fees to the insurance regulators in connection with the settlement or consent agreements. The Company believes it is reasonably possible that insurance regulators could demand from the Company administrative and/or examination fees relating to the targeted multi-state examination. Based on publicly reported payments by other life insurers, the Company estimates the range of such fees to be from $0 to $3.5 million.

13. SHAREOWNERS' EQUITY

Activity in the Company's issued and outstanding common stock is summarized as follows:

	Issued Shares	Treasury Shares	Outstanding Shares
Balance, December 31, 2010	88,776,960	3,108,983	85,667,977
(Reissuance of)/deposits to treasury stock	—	3,998,782	(3,998,782)
Balance, December 31, 2011	88,776,960	7,107,765	81,669,195
(Reissuance of)/deposits to treasury stock	—	3,531,702	(3,531,702)
Balance, December 31, 2012	88,776,960	10,639,467	78,137,493
(Reissuance of)/deposits to treasury stock	—	(439,953)	439,953
Balance, December 31, 2013	88,776,960	10,199,514	78,577,446

Shareowners have authorized 4,000,000 shares of Preferred Stock, $1.00 par value. Other terms, including preferences, voting, and conversion rights, may be established by the Board of Directors. None of these shares have been issued as of December 31, 2013.

14. STOCK-BASED COMPENSATION

Since 1973, the Company has had stock-based incentive plans to motivate management to focus on its long-range performance through the awarding of stock-based compensation. Under plans approved by shareowners in 1997, 2003, 2008, and 2012, up to 9.5 million shares may be issued in payment of awards.

Performance Shares

The criteria for payment of the 2013 performance awards is based on the Company's average operating return on average equity ("ROE") over a three-year period. If the Company's ROE is below 10.0%, no award is earned. If the Company's ROE is at or above 11.5%, the award maximum is earned.

The criteria for payment of the 2012 performance awards is based on the Company's ROE over a three-year period. If the Company's ROE is below 10.0%, no award is earned. If the Company's ROE is at or above 11.2%, the award maximum is earned.

Awards are paid in shares of the Company's common stock. Performance shares are equivalent in value to one share of our common stock times the award earned percentage payout. Performance share awards of 298,500 were issued during the year ended December 31, 2013 and 306,100 performance share awards were issued during the year ended December 31, 2012.

Performance share awards in 2013 and 2012 and the estimated fair value of the awards at grant date are as follows:

Year Awarded	Performance Shares	Estimated Fair Value
		(Dollars In Thousands)
2013	298,500	$ 9,328
2012	306,100	8,608
2011	191,100	5,433

Stock Appreciation Rights

Stock Appreciation Rights ("SARs") have been granted to certain officers of the Company to provide long-term incentive compensation based solely on the performance of the Company's common stock. The SARs are exercisable either five years after the date of grant or in three or four equal annual installments beginning one year after the date of grant (earlier upon the death, disability, or retirement of the officer, or in certain circumstances, of a change in control of the Company) and expire after ten years or upon termination of employment. The SARs activity as well as weighted-average base price is as follows:

	Weighted-Average Base Price per share	No. of SARs
Balance at December 31, 2010	$ 21.97	2,324,837
SARs exercised / forfeited	8.31	(50,608)
Balance at December 31, 2011	$ 22.27	2,274,229
SARs exercised / forfeited	22.60	(633,062)
Balance at December 31, 2012	$ 22.15	1,641,167
SARs exercised / forfeited / expired	18.54	(336,066)
Balance at December 31, 2013	$ 23.08	1,305,101

The outstanding SARs as of December 31, 2013, were at the following base prices:

Base Price	SARs Outstanding	Remaining Life in Years	Currently Exercisable
$41.05	100,700	2	100,700
$48.60	33,900	3	33,900
$43.46	161,700	4	161,700
$41.12	2,500	4	2,500
$38.59	267,800	5	267,800
$3.50	501,697	6	501,697
$18.36	236,804	7	236,804

There were no SARs issued for the years ended December 31, 2013, 2012, and 2011. These fair values were estimated using a Black-Schole option pricing model. The assumptions used in this pricing model varied depending on the vesting period of awards. Assumptions used in the model for the 2010 SARs granted (the simplified method under the ASC Compensation-Stock Compensation Topic was used for the 2010 awards) were as follows: an expected volatility of 69.4%, a risk-free interest rate of 2.6%, a dividend rate of 2.4%, a zero percent forfeiture rate, and expected exercise date of 2016.

Restricted Stock Units

Restricted stock units are awarded to participants and include certain restrictions relating to vesting periods. The Company issued 166,850 restricted stock units for the year ended December 31, 2013 and 190,800 restricted stock units for the year ended December 31, 2012. These awards had a total fair value at grant date of $5.5 million and $5.4 million, respectively. Approximately half of these restricted stock units vest after three years from grant date and the remainder vest after four years.

The Company recognizes all stock-based compensation expense over the related service period of the award, or earlier for retirement eligible employees. The expense recorded by the Company for its stock-based compensation plans was $15.7 million, $10.3 million, and $10.2 million in 2013, 2012, and 2011, respectively. The Company's obligations of itsstock-based compensation plans that are expected to be settled in shares of the Company's common stock are reported as a component of shareowners' equity, net of deferred taxes. As of December 31, 2013, the total compensation cost related to non-vested stock-based compensation not yet recognized was $19.7 million and the weighted-average period over which it is expected to be recognized is approximately 1.9 years.

The following table provides information as of December 31, 2013, about equity compensation plans under which the Company's common stock is authorized for issuance:

Securities Authorized for Issuance under Equity Compensation Plans

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights as of December 31, 2013 (a)	Weighted-average exercise price of outstanding options, warrants and rights as of December 31, 2013 (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) as of December 31, 2013 (c)
Equity compensation plans approved by shareowners	2,628,085(1)	$ 22.15(3)	4,297,959(4)
Equity compensation plans not approved by shareowners	213,900(2)	Not applicable	Not applicable(5)
Total	2,841,985	$ 22.15	4,297,959

(1) Includes the following number of shares: (a) 848,316 shares issuable with respect to outstanding SARs (assuming for this purpose that one share of common stock will be payable with respect to each outstanding SAR); (b) 852,384 shares issuable with respect to outstanding performance share awards (assuming for this purpose that the awards are payable based on estimated performance under the awards as of September 30, 2013); (c) 397,578 shares issuable with respect to outstanding restricted stock units (assuming for this purpose that shares will be payable with respect to all outstanding restricted stock units); (d) 383,641 shares issuable with respect to stock equivalents representing previously earned awards under the LTIP that the recipient deferred under the Company's Deferred Compensation Plan for Officers; and (e) 146,166 shares issuable with respect to stock equivalents representing previous awards under the Company's Stock Plan for Non-Employee Directors that the recipient deferred under our Deferred Compensation Plan for Directors Who Are Not Employees of the Company.

(2) Includes the following number of shares of common stock: (a) 174,476 shares issuable with respect to stock equivalents representing (i) stock awards to the Company's Directors before June 1, 2004 that the recipient deferred pursuant to the Company's Deferred Compensation Plan for Directors Who Are Not Employees of the Company and (ii) cash retainers and fees that the Company's Directors deferred under the Company's Deferred Compensation Plan for Directors Who Are Not Employees of the Company, and (b) 39,425 shares issuable with respect to stock equivalents pursuant to the Company's Deferred Compensation Plan for Officers.

(3) Based on exercise prices of outstanding SARs.

(4) Represents shares of common stock available for future issuance under the LTIP and the Company's Stock Plan for Non-Employee Directors.

(5) The plans listed in Note (2) do not currently have limits on the number of shares of common stock issuable under such plans. The total number of shares of common stock that may be issuable under such plans will depend upon, among other factors, the deferral elections made by the plans' participants.

15. EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plan and Unfunded Excess Benefit Plan

The Company sponsors a defined benefit pension plan covering substantially all of its employees. Benefits are based on years of service and the employee's compensation.

Effective January 1, 2008, the Company made the following changes to its defined benefit pension plan. These changes have been reflected in the computations within this note.

- Employees hired after December 31, 2007, will receive benefits under a cash balance plan.
- Employees active on December 31, 2007, with age plus vesting service less than 55 years will receive a final pay-based pension benefit for service through December 31, 2007, plus a cash balance benefit for service after December 31, 2007.
- Employees active on December 31, 2007, with age plus vesting service equaling or exceeding 55 years, will receive a final pay-based pension benefit for service both before and after December 31, 2007, with a modest reduction in the formula for benefits earned after December 31, 2007.
- All participants terminating employment on or after December of 2007 may elect to receive a lump sum benefit.

The Company's funding policy is to contribute amounts to the plan sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act ("ERISA") plus such additional amounts as the Company may determine to be appropriate from time to time. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future.

Under the Pension Protection Act of 2006 ("PPA"), a plan could be subject to certain benefit restrictions if the plan's adjusted funding target attainment percentage ("AFTAP") drops below 80%. Therefore, the Company may make additional contributions in future periods to maintain an AFTAP of at least 80%. In general, the AFTAP is a measure of how well the plan is funded and is obtained by dividing the plan's assets by the plan's funding liabilities. AFTAP is based on participant data, plan provisions, plan methods and assumptions, funding credit balances, and plan assets as of the plan valuation date. Some of the assumptions and methods used to determine the plan's AFTAP may be different from the assumptions and methods used to measure the plan's funded status on a GAAP basis.

In July of 2012, the Moving Ahead for Progress in the 21st Century Act ("MAP-21"), which includes pension funding stabilization provisions, was signed into law. These provisions establish an interest rate corridor which is designed to stabilize the segment rates used to determine funding requirements from the effects of interest rate volatility. The funding stabilization provisions of MAP-21 reduced our minimum required defined benefit plan contributions for the 2012 and 2013 plan years. Since the funding stabilization provisions of MAP-21 do not apply for Pension Benefit Guaranty Corporation ("PBGC") reporting purposes, the Company may also make additional contributions in future periods to avoid certain PBGC reporting triggers.

During the twelve months ended December 31, 2013, the Company contributed $2.0 million to its defined benefit pension plan for the 2012 plan year and $6.9 million to its defined benefit pension plan for the 2013 plan year. In addition, during January of 2014, the Company made a $2.3 million contribution to the defined benefit pension plan for the 2013 plan year. The Company has not yet determined what amount it will fund for the remainder of 2014, but estimates that the amount will be between $10 million and $20 million.

The Company also sponsors an unfunded excess benefit plan, which is a nonqualified plan that provides defined pension benefits in excess of limits imposed on qualified plans by federal tax law.

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The Company uses a December 31 measurement date for all of its plans. The following table presents the benefit obligation, fair value of plan assets, and the funded status of the Company's defined benefit pension plan and unfunded excess benefit plan as of December 31. This table also includes the amounts not yet recognized as components of net periodic pension costs as of December 31:

	Defined Benefit Pension Plan		Unfunded Excess Benefits Plan	
	2013	2012	2013	2012
	(Dollars In Thousands)			
Accumulated benefit obligation, end of year	$ 207,999	$ 210,319	$ 36,306	$ 39,828
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	$ 223,319	$ 199,162	$ 42,971	$ 36,256
Service cost	9,345	9,145	1,037	867
Interest cost	8,985	8,977	1,387	1,473
Actuarial (gain) or loss	(8,172)	15,286	(1,505)	6,946
Benefits paid	(14,325)	(9,251)	(4,211)	(2,571)
Projected benefit obligation at end of year	219,152	223,319	39,679	42,971
Change in plan assets:				
Fair value of plan assets at beginning of year	152,187	125,058	—	—
Actual return on plan assets	33,368	15,202	—	—
Employer contributions(1)	8,943	21,178	4,211	2,571
Benefits paid	(14,325)	(9,251)	(4,211)	(2,571)
Fair value of plan assets at end of year	180,173	152,187	—	—
After reflecting FASB guidance:				
Funded status	(38,979)	(71,132)	(39,679)	(42,971)
Amounts recognized in the balance sheet:				
Other liabilities	(38,979)	(71,132)	(39,679)	(42,971)
Amounts recognized in accumulated other comprehensive income:				
Net actuarial loss	54,897	95,055	13,346	17,571
Prior service cost/(credit)	(1,425)	(1,816)	36	48
Total	$ 53,472	$ 93,239	$ 13,382	$ 17,619

(1) Employer contributions disclosed are based on the Company's fiscal filing year

Weighted-average assumptions used to determine benefit obligations as of December 31 are as follows:

	Defined Benefit Pension Plan		Unfunded Excess Benefits Plan	
	2013	2012	2013	2012
Discount rate	4.86%	4.07%	4.30%	3.37%
Rate of compensation increase	3.0	3.0	4.0	4.0
Expected long-term return on plan assets	7.5	7.5	N/A	N/A

The assumed discount rates used to determine the benefit obligations were based on an analysis of future benefits expected to be paid under the plans. The assumed discount rate reflects the interest rate at which an amount that is invested in a portfolio of high-quality debt instruments on the measurement date would provide the future cash flows necessary to pay benefits when they come due.

To determine an appropriate long-term rate of return assumption, the Company obtained 25 year annualized returns for each of the represented asset classes. In addition, the Company received evaluations of market performance based on the Company's asset allocation as provided by external consultants. A combination of these statistical analytics provided results that the Company utilized to determine an appropriate long-term rate of return assumption.

Weighted-average assumptions used to determine the net periodic benefit cost for the year ended December 31 are as follows:

	Defined Benefit Pension Plan			Unfunded Excess Benefits Plan		
	2013	2012	2011	2013	2012	2011
Discount rate	4.07%	4.62%	5.30%	3.37%	4.07%	4.79%
Rates of compensation increase	3.0	2.5 - 3.0	2.5 - 3.0	4.0	3.5 - 4.0	3.5 - 4.0
Expected long-term return on plan assets	7.5	7.75	7.75	N/A	N/A	N/A

Components of the net periodic benefit cost for the year ended December 31 are as follows:

	Defined Benefit Pension Plan			Unfunded Excess Benefits Plan		
	2013	2012	2011	2013	2012	2011
	(Dollars In Thousands)					
Service cost—benefits earned during the period	$ 9,345	$ 9,145	$ 8,682	$ 1,037	$ 867	$ 679
Interest cost on projected benefit obligation	8,985	8,977	8,938	1,387	1,473	1,506
Expected return on plan assets	(11,013)	(10,916)	(10,021)	—	—	—
Amortization of prior service cost/(credit)	(392)	(392)	(392)	12	12	12
Amortization of actuarial losses(1)	9,631	7,749	5,625	1,792	1,300	881
Preliminary net periodic benefit cost	16,556	14,563	12,832	4,228	3,652	3,078
Settlement/curtailment expense(2)	—	—	—	928	—	—
Total net periodic benefit cost	$ 16,556	$ 14,563	$ 12,832	$ 5,156	$ 3,652	$ 3,078

(1) 2013 average remaining service period used is 8.19 years and 7.45 years for the defined benefit pension plan and unfunded excess benefit plan, respectively.

(2) The excess pension plan triggered settlement accounting for the year ended December 31, 2013 since the total lump sum payments exceeded the settlement threshold of service cost plus interest cost.

The estimated net actuarial loss, prior service cost/(credit), and transition obligation for these plans that will be amortized from accumulated other comprehensive income into net periodic benefit cost during 2014 is as follows:

	Defined Benefit Pension Plan	Unfunded Excess Benefits Plan
	(Dollars In Thousands)	
Net actuarial loss	$ 6,300	$ 1,300
Prior service cost/(credit)	(392)	12
Transition obligation	—	—

The amortization of any prior service cost is determined using a straight-line amortization of the cost over the average remaining service period of employees expected to receive benefits under the Plan.

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Allocation of plan assets of the defined benefit pension plan by category as of December 31 are as follows:

Asset Category	Target Allocation for 2014	2013	2012
Cash and cash equivalents	2.0%	2.0%	4.0%
Equity securities	60.0	64.0	60.0
Fixed income	38.0	34.0	36.0
Total	100.0%	100.0%	100.0%

The Company's target asset allocation is designed to provide an acceptable level of risk and balance between equity assets and fixed income assets. The weighting towards equity securities is designed to help provide for an increased level of asset growth potential and liquidity.

Prior to July 1999, upon an employee's retirement, a distribution from pension plan assets was used to purchase a single premium annuity from PLICO in the retiree's name. Therefore, amounts shown above as plan assets exclude assets relating to such retirees. Since July 1999, retiree obligations have been fulfilled from pension plan assets. The defined benefit pension plan has a target asset allocation of 60% domestic equities, 38% fixed income, and 2% cash. When calculating asset allocation, the Company includes reserves for pre-July 1999 retirees.

The Company's investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants. The investment guidelines consider a broad range of economic conditions. Central to the policy are target allocation ranges (shown above) by major asset categories. The objectives of the target allocations are to maintain investment portfolios that diversify risk through prudent asset allocation parameters, achieve asset returns that meet or exceed the plans' actuarial assumptions, and achieve asset returns that are competitive with like institutions employing similar investment strategies.

The plan's equity assets are in a Russell 3000 index fund that invests in a domestic equity index collective trust managed by Northern Trust Corporation and in a Spartan 500 index fund managed by Fidelity. The plan's cash is invested in a collective trust managed by Northern Trust Corporation. The plan's fixed income assets are invested in a group deposit administration annuity contract with PLICO.

Plan assets of the defined benefit pension plan by category as of December 31, are as follows:

Asset Category	As of December 31, 2013	As of December 31, 2012
	(Dollars In Thousands)	
Cash	$ 3,052	$ 6,222
Equity securities:		
Collective Russell 3000 index fund	74,753	61,451
Fidelity Spartan 500 index fund	45,632	34,482
Fixed income	56,736	50,032
Total investments	180,173	152,187
Employer contribution receivable	2,314	—
Total	$ 182,487	$ 152,187

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The valuation methodologies used to determine the fair values reflect market participant assumptions and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. The Plan's group deposit administration annuity contract with PLICO is recorded at contract value, which, by utilizing a long-term view, the Company believes approximates fair value. Contract value represents contributions made under the contract, plus interest at the contract rate, less funds used to purchase annuities. Units in collective short-term and collective investment funds are valued at the unit value, which approximates fair value, as reported by the trustee of the collective short-term and collective investment funds on each valuation date. These methods of valuation may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2013:

	Level 1	Level 2	Level 3	Total
	(Dollars In Thousands)			
Collective short-term investment fund	$ 3,052	$ —	$ —	$ 3,052
Collective investment funds:				—
Equity index funds	45,632	74,753	—	120,385
Group deposit administration annuity contract	—	—	56,736	56,736
Total investments	$ 48,684	$ 74,753	$ 56,736	$ 180,173

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2012:

	Level 1	Level 2	Level 3	Total
	(Dollars In Thousands)			
Collective short-term investment fund	$ 6,222	$ —	$ —	$ 6,222
Collective investment funds:	—	—	—	—
Equity index funds	34,482	61,451	—	95,933
Group deposit administration annuity contract	—	—	50,032	50,032
Total investments	$ 40,704	$ 61,451	$ 50,032	$ 152,187

For the year ended December 31, 2013, $4.0 million was transferred into Level 3 from Level 2. For the year ended December 31, 2012 $6.0 million was transferred into Level 3 from Level 2. These transfers were made to maintain an acceptable asset allocation as set by the Company's investment policy.

For the year ended December 31, 2013 and 2012, there were no transfers between Level 1 and Level 2.

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The following table summarizes the Plan investments measured at fair value based on NAV per share as of December 31, 2013 and 2012 respectively:

Name	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
	(Dollars In Thousands)			
As of December 31, 2013:				
Collective short-term investment fund	$ 3,052	Not Applicable	Daily	1 day
Collective Russell 3000 index fund[1]	74,753	Not Applicable	Daily	1 day
Fidelity Spartan 500 index fund	45,632	Not Applicable	Daily	1 day
As of December 31, 2012:				
Collective short-term investment fund	$ 6,222	Not Applicable	Daily	1 day
Collective Russell 3000 index fund[1]	61,451	Not Applicable	Daily	1 day
Fidelity Spartan 500 index fund	34,482	Not Applicable	Daily	1 day

(1) Non-lending collective trust that does not publish a daily NAV but tracks the Russell 3000 index and provides a daily NAV tc the Plan

A reconciliation of the beginning and ending balances for the fair value measurements for which significant unobservable inputs (Level 3) have been used is as follows:

	As of December 31, 2013	As of December 31, 2012
	(Dollars In Thousands)	
Balance, beginning of year	$ 50,032	$ 41,527
Interest income	2,704	2,505
Transfers from collective short-term investments fund	4,000	6,000
Transfers to collective short-term investments fund	—	—
Balance, end of year	$ 56,736	$ 50,032

The following table represents the Plan's Level 3 financial instrument, the valuation technique used, and the significant unobservable input and the ranges of values for that input as of December 31, 2013:

Instrument	Fair Value	Principal Valuation Technique	Significant Unobservable Inputs	Range of Significant Input Values
	(Dollars In Thousands)			
Group deposit administration annuity contract	$ 56,736	Contract Value	Contract Rate	5.32% - 5.42%

Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported.

Estimated future benefit payments under the defined benefit pension plan are as follows:

Years	Defined Benefit Pension Plan	Unfunded Excess Benefits Plan
	(Dollars In Thousands)	
2014	$ 12,621	$ 3,817
2015	13,284	4,077
2016	13,688	4,007
2017	14,571	3,887
2018	15,431	3,845
2019 - 2023	84,854	16,936

Other Postretirement Benefits

In addition to pension benefits, the Company provides limited healthcare benefits to eligible retired employees until age 65. This postretirement benefit is provided by an unfunded plan. As of December 31, 2013 and 2012, the accumulated postretirement benefit obligation associated with these benefits was $0.4 million and $0.8 million, respectively.

The change in the benefit obligation for the retiree medical plan is as follows:

	As of December 31,	
	2013	2012
	(Dollars In Thousands)	
Change in Benefit Obligation		
Benefit obligation, beginning of year	$ 788	$ 949
Service cost	4	6
Interest cost	5	17
Amendments	—	—
Actuarial (gain) or loss	29	(144)
Plan participant contributions	289	293
Benefits paid	(668)	(333)
Special termination benefits	—	—
Benefit obligation, end of year	$ 447	$ 788

For the retiree medical plan, the Company's discount rate assumption used to determine benefit obligation and the net periodic benefit cost as of December 31, 2013, is 1.26% and 1.09%, respectively.

For a closed group of retirees over age 65, the Company provides a prescription drug benefit. As of December 31, 2013 and 2012, the Company's liability related to this benefit was less than $0.1 million. The Company's obligation is not materially affected by a 1% change in the healthcare cost trend assumptions used in the calculation of the obligation.

The Company also offers life insurance benefits for retirees from $10,000 up to a maximum of $75,000 which are provided through the payment of premiums under a group life insurance policy. This plan is partially funded at a maximum of $50,000 face amount of insurance. The accumulated postretirement benefit obligation associated with these benefits is as follows:

	As of December 31,	
	2013	2012
	(Dollars In Thousands)	
Change in Benefit Obligation		
Benefit obligation, beginning of year	$ 10,070	$ 8,951
Service cost	144	123
Interest cost	405	412
Amendments	—	—
Actuarial (gain) or loss	(1,620)	895
Plan participant contributions	—	—
Benefits paid	(346)	(311)
Special termination benefits	—	—
Benefit obligation, end of year	$ 8,653	$ 10,070

For the postretirement life insurance plan, the Company's discount rate assumption used to determine benefit obligation and the net periodic benefit cost as of December 31, 2013, is 5.05% and 4.10%, respectively.

The Company's expected long-term rate of return assumption used to determine benefit obligation and the net periodic benefit cost as of December 31, 2013, is 3.13% and 3.26%, respectively. To determine an appropriate long-term rate of return assumption, the Company utilized 20 year average and annualized return results on the Barclay's short treasury index.

Investments of the Company's group life insurance plan are held by Wells Fargo Bank, N.A. Plan assets held by the Custodian are invested in a money market fund.

The fair value of each major category of plan assets for the Company's postretirement life insurance plan is as follows:

	For The Year Ended December 31,		
Category of Investment	2013	2012	2011
	(Dollars In Thousands)		
Money market fund	$ 6,156	$ 6,174	$ 6,193

Investments are stated at fair value and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The money market funds are valued based on historical cost, which represents fair value, at year end. This method of valuation may produce a fair value calculation that may not be reflective of future fair values. Furthermore, while the Company believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2013:

	Level 1	Level 2	Level 3	Total
	(Dollars In Thousands)			
Money market fund	$ 6,156	$ —	$ —	$ 6,156

The following table sets forth by level, within the fair value hierarchy, the Plan's assets at fair value as of December 31, 2012:

	Level 1	Level 2	Level 3	Total
	(Dollars In Thousands)			
Money market fund	$ 6,174	$ —	$ —	$ 6,174

For the year ended December 31, 2013 and 2012, there were no transfers between levels.

Investments are exposed to various risks, such as interest rate and credit risks. Due to the level of risk associated with investments and the level of uncertainty related to credit risks, it is at least reasonably possible that changes in risk in the near term could materially affect the amounts reported.

401(k) Plan

The Company sponsors a 401(k) Plan which covers substantially all employees. Employee contributions are made on a before-tax basis as provided by Section 401(k) of the Internal Revenue Code or as after-tax "Roth" contributions. Employees may contribute up to 25% of their eligible annual compensation to the 401(k) Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service ($17,500 for 2013). The Plan also provides a "catch-up" contribution provision which permits eligible participants (age 50 or over at the end of the calendar year), to make additional contributions that exceed the regular annual contribution limits up to a limit periodically set by the Internal Revenue Service ($5,500 for 2013). The Company matches the sum of all employee contributions dollar for dollar up to a maximum of 4% of an employee's pay per year per person. All matching contributions vest immediately.

Prior to 2009, employee contributions to the Company's 401(k) Plan were matched through use of an ESOP established by the Company. Beginning in 2009, the Company adopted a cash match for employee contributions to the 401(k) plan. For the year ended December 31, 2013 and 2012, the Company recorded an expense of $6.0 million and $5.9 million, respectively.

Effective as of January 1, 2005, the Company adopted a supplemental matching contribution program, which is a nonqualified plan that provides supplemental matching contributions in excess of the limits imposed on qualified defined contribution plans by federal tax law. The first allocations under this program were made in early 2006, with respect to the 2005 plan year. The expense recorded by the Company for this employee benefit was $0.5 million, $0.4 million, and $0.4 million, respectively, in 2013, 2012, and 2011.

Deferred Compensation Plan

The Company has established deferred compensation plans for directors, officers, and others. Compensation deferred is credited to the participants in cash, mutual funds, common stock equivalents, or a combination thereof. The Company may, from time to time, reissue treasury shares or buy in the open market shares of common stock to fulfill its obligation under the plans. As of December 31, 2013, the plans had 971,512 common stock equivalents credited to participants. The Company's obligations related to its deferred compensation plans are reported in other liabilities, unless they are to be settled in shares of its common stock, in which case they are reported as a component of shareowners' equity.

16. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income available to PLC's common shareowners by the weighted-average number of common shares outstanding during the period, including shares issuable under various deferred compensation plans. Diluted earnings per share is computed by dividing net income available to PLC's common shareowners by the weighted-average number of common shares and dilutive potential common shares outstanding during the period, assuming the shares were not anti-dilutive, including shares issuable under various stock-based compensation plans and stock purchase contracts.

A reconciliation of the numerators and denominators of the basic and diluted earnings per share is presented below:

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands, Except Per Share Amounts)		
Calculation of basic earnings per share:			
Net income available to PLC's common shareowners	$ 393,464	$ 302,452	$ 315,392
Average shares issued and outstanding	78,439,987	80,149,261	84,309,804
Issuable under various deferred compensation plans	955,635	917,077	898,808
Weighted shares outstanding—basic	79,395,622	81,066,338	85,208,612
Per share:			
Net income available to PLC's common shareowners—basic	$ 4.96	$ 3.73	$ 3.70
Calculation of diluted earnings per share:			
Net income available to PLC's common shareowners	$ 393,464	$ 302,452	$ 315,392
Weighted shares outstanding—basic	79,395,622	81,066,338	85,208,612
Stock appreciation rights ("SARs")(1)	432,413	448,936	468,810
Issuable under various other stock-based compensation plans	745,607	588,298	122,027
Restricted stock units	352,071	619,444	675,780
Weighted shares outstanding—diluted	80,925,713	82,723,016	86,475,229
Per share:			
Net income available to PLC's common shareowners—diluted	$ 4.86	$ 3.66	$ 3.65

(1) Excludes 178,325; 670,320; and 1,440,047 SARs as of December 31, 2013, 2012, and 2011, respectively, that are antidilutive. In the event the average market price exceeds the issue price of the SARs, such rights would be dilutive to the Company's earnings per share and will be included in the Company's calculation of the diluted average shares outstanding, for applicable periods.

17. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The following table summarizes the changes in the accumulated balances for each component of accumulated other comprehensive income (loss) ("AOCI") as of December 31, 2013.

Changes in Accumulated Other Comprehensive Income (Loss) by Component

	Unrealized Gains and Losses on Investments(2)	Accumulated Gain and Loss Derivatives	Minimum Pension Liability Adjustment	Total Accumulated Other Comprehensive Income (Loss)
	(Dollars In Thousands, Net of Tax)			
Beginning Balance, December 31, 2012	$ 1,813,516	$ (3,496)	$ (73,298)	$ 1,736,722
Other comprehensive income (loss) before reclassifications	(1,250,498)	734	29,596	(1,220,168)
Other comprehensive income (loss) relating to other- than-temporary impaired investments for which a portion has been recognized in earnings	4,591	—	—	4,591
Amounts reclassified from accumulated other comprehensive income (loss)(1)	(28,606)	1,527	—	(27,079)
Net current-period other comprehensive income (loss)	(1,274,513)	2,261	29,596	(1,242,656)
Ending Balance, December31, 2013	$ 539,003	$ (1,235)	$ (43,702)	$ 494,066

(1) See Reclassification table below for details.

(2) These balances were offset by the impact of DAC and VOBA by $198.1 million and $204.9 million as of December 31, 2013 and 2012, respectively.

The following table summarizes the reclassifications amounts out of AOCI for the year ended December 31, 2013.

Reclassifications Out of Accumulated Other Comprehensive Income (Loss)

	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) (Dollars In Thousands)	Affected Line Item in the Consolidated Statements of Income
For The Year Ended December 31, 2013		
Gains and losses on derivative instruments		
Net settlement (expense)/benefit[1]	$ (2,349)	Benefits and settlement expenses, net of reinsurance ceded
	(2,349)	Total before tax
	822	Tax (expense) or benefit
	$ (1,527)	Net of tax
Unrealized gains and losses on available-for-sale securities		
Net investment gains/losses	$ 66,456	Realized investment gains (losses): All other investments
Impairments recognized in earnings	(22,447)	Net impairment losses recognized in earnings
	44,009	Total before tax
	(15,403)	Tax (expense) or benefit
	$ 28,606	Net of tax

(1) See Note 23, Derivative Financial Instruments for additional information.

18. INCOME TAXES

The Company's effective income tax rate related to continuing operations varied from the maximum federal income tax rate as follows:

	For The Year Ended December 31, 2013	2012	2011
Statutory federal income tax rate applied to pre-tax income	35.0%	35.0%	35.0%
State income taxes	0.6	0.3	0.4
Investment income not subject to tax	(3.1)	(3.1)	(2.2)
Uncertain tax positions	0.4	0.4	—
Other	0.5	0.6	(0.3)
	33.4%	33.2%	32.9%

The annual provision for federal income tax in these financial statements differs from the annual amounts of income tax expense reported in the Company's income tax returns. Certain significant revenues and expenses are appropriately reported in different years with respect to the financial statements and the tax returns.

The components of the Company's income tax are as follows:

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
Current income tax expense:			
Federal	$ 19,267	$ 72,743	$ 9,510
State	2,588	3,443	264
Total current	$ 21,855	$ 76,186	$ 9,774
Deferred income tax expense:			
Federal	$ 174,888	$ 71,659	$ 142,761
State	166	2,674	2,304
Total deferred	$ 175,054	$ 74,333	$ 145,065

The components of the Company's net deferred income tax liability are as follows:

	As of December 31,	
	2013	2012
	(Dollars In Thousands)	
Deferred income tax assets:		
Premium receivables and policy liabilities	$ 180,971	$ 56,918
Loss carryforwards	64,856	—
Deferred compensation	150,435	78,465
Other	49,057	52,158
Valuation allowance	(2,965)	(4,653)
	442,354	182,888
Deferred income tax liabilities:		
Deferred policy acquisition costs and value of business acquired	1,015,992	916,406
Invested assets (other than unrealized gains)	206,554	28,396
Net unrealized gains (losses) on investments	289,567	974,475
	1,512,113	1,919,277
Net deferred income tax liability	$ (1,069,759)	$ (1,736,389)

The deferred tax assets reported above include certain deferred tax assets related to nonqualified deferred compensation and other employee benefit liabilities. These liabilities were assumed by AXA; they were not acquired by the Company in connection with the acquisition of MONY discussed in Note 3, *Significant Acquisitions*. The future tax deductions stemming from these liabilities will by claimed by the Company on MONY's tax returns in its post-acquisition periods. These deferred tax assets have been estimated as of the Acquisition date (and through the December 31, 2013 reporting date) based on all available information. However, it is possible that these estimates may be adjusted in future reporting periods based on actuarial changes to the projected future payments associated with these liabilities. Any such adjustments will be recognized by the Company as an adjustment to income tax expense during the period in which they are realized.

In management's judgment, the gross deferred income tax asset as of December 31, 2013, will more likely than not be fully realized. The Company has recognized a valuation allowance of $3.0 million and $4.6 million as of December 31, 2013 and 2012, respectively, related to state-based loss carryforwards that it has determined are more likely than not to expire unutilized. This resulting favorable change of $1.6 million, before federal income taxes, decreased state income tax expense in 2013 by the same amount. As of December 31, 2013 and 2012, no valuation allowances were established with regard to deferred tax assets relating to impairments on fixed maturities, capital or operating loss carryforwards, and unrealized losses on investments. As of December 31, 2013, the Company had U.S. capital loss carryforwards of $7.2 million which will expire if not used by 2014, $1.6 million which will expire if not used by 2015, $1.1 million which will expire if not used by 2017, and $4.4 million which will expire if notused by 2018. The Company had U.S. operating loss carryforwards of $171.3 million which will expire if not used by 2028. As of December 31, 2013 and 2012, the Company relied upon a prudent and feasible tax-planning strategy regarding its fixed maturities that were reported at an unrealized loss. The Company has the ability and the intent to either hold such bonds to maturity, thereby avoiding a realized loss, or to generate a realized gain from unrealized gain bonds if such unrealized loss bond is sold at a loss prior to maturity. As of December 31, 2013, the Company recorded a net unrealized gain on its fixed maturities.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	As of December 31,	
	2013	2012
	(Dollars In Thousands)	
Balance, beginning of period	$ 75,292	$ 4,840
Additions for tax positions of the current year	7,465	9,465
Additions for tax positions of prior years	26,386	64,485
Reductions of tax positions of prior years:		
Changes in judgment	(2,740)	(3,498)
Settlements during the period	—	—
Lapses of applicable statute of limitations	(522)	—
Balance, end of period	$ 105,881	$ 75,292

Included in the balance above, as of December 31, 2013 and 2012, are approximately $98.0 million and $67.7 million of unrecognized tax benefits, respectively, for which the ultimate deductibility is certain but for which there is uncertainty about the timing of such deductions. Other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective income tax rate but would accelerate to an earlier period the payment of cash to the taxing authority. The total amount of unrecognized tax benefits, if recognized, that would affect the effective income tax rate is approximately $7.9 million and $7.6 million as of December 31, 2013 and as of December 31, 2012,respectively.

Any accrued interest related to the unrecognized tax benefits have been included in income tax expense. These amounts were a $2.3 million detriment, a $2.5 million detriment, and a $1.4 million benefit in 2013, 2012, and 2011, respectively. The Company has approximately $7.8 million and $4.0 million of accrued interest associated with unrecognized tax benefits as of December 31, 2013 and 2012, respectively (before taking into consideration the related income tax benefit that is associated with such an expense).

During 2012, an IRS audit concluded in which the IRS proposed favorable and unfavorable adjustments to the Company's 2003 through 2007 reported taxable incomes. The Company protested certain unfavorable adjustments and sought resolution at the IRS' Appeals Divisions. In January 2014, the Appeals Division followed its normal procedure and sent the Company's case to Congress' Joint

Committee on Taxation for review. Although it cannot be certain, the Company believes this review process may conclude within the next 12 months. If this is the case, approximately $18.5 million of the unrecognized tax benefits on the above chart will be reduced. This reduction could occur because of the Company's successful negotiation of certain issues at Appeals coupled with its unsuccessful negotiations on other issues. This possible scenario includes an assumption that the Company would pay the IRS-asserted deficiencies on issues that it loses at Appeals rather than litigating such issues. If the IRS prevails at Appeals and the Company does not litigate these issues, the tax payments that would occur as a result would not materially impact the Company or its effective tax rate.

During the 12 months ended December 31, 2013, the Company's uncertain tax position liability decreased $2.7 million primarily due to the interaction of various taxable income dividends received deduction limitations and the taxable income impacts of other uncertain tax positions. During the 12 months ended December 31, 2012, the Company's uncertain tax position liability decreased in the amount of $3.5 million as a result of new technical guidance and other developments which led the Company to conclude that the full amount of the associated tax benefit was more than 50% likely to be realized.

In general, the Company is no longer subject to U.S. federal, state, and local income tax examinations by taxing authorities for tax years that began before 2003.

19. SUPPLEMENTAL CASH FLOW INFORMATION

The following table sets forth supplemental cash flow information:

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
Cash paid / (received) during the year:			
Interest on debt	$ 171,360	$ 159,674	$ 158,033
Income taxes	(27,211)	51,239	20,122
Noncash investing and financing activities:			
Stock-based compensation	10,739	12,280	12,517
Decrease in collateral for securities lending transactions	—	—	(96,653)

Total cash interest paid on debt for the year ended December 31, 2013, was $171.4 million. Of this amount, $90.0 million related to interest on long-term debt, $34.8 million related to interest on subordinated debt, and $46.6 million related to non-recourse funding obligations and other obligations.

20. RELATED PARTY TRANSACTIONS

Certain corporations with which the Company's directors were affiliated paid us premiums and policy fees or other amounts for various types of insurance and investment products, interest on bonds we own and commissions on securities underwritings in which our affiliates participated. Such amounts totaled $40.0 million, $59.1 million, and $51.0 million, in 2013, 2012, and 2011, respectively. The Company paid commissions, interest on debt and investment products, and fees to these same corporations totaling $16.4 million, $13.0 million, and $4.6 million in 2013, 2012, and 2011 respectively.

The Company has guaranteed PLICO's obligations for borrowings or letters of credit under the revolving line of credit arrangement to which the Company is also a party. The Company has also issued guarantees, entered into support agreements and/or assumed a duty to indemnify its indirect wholly owned captive insurance companies in certain respects. In addition, as of December 31, 2013, the Company is the sole holder of the $800 million balance of outstanding surplus notes issued by one such wholly owned captive insurance company, Golden Gate.

As of February 1, 2000, the Company guaranteed the obligations of PLICO under a synthetic lease entered into by PLICO, as lessee, with a non-affiliated third party, as lessor. Under the terms of the synthetic lease, financing of $75 million was available to PLICO for construction of a new office building and parking deck. The synthetic lease was amended and restated as of January 11, 2007, and again on December 19, 2013, wherein as of December 31, 2013, the Company continues to guarantee the obligations of PLICO thereunder.

The Company has agreements with certain of its subsidiaries under which it supplies investment, legal and data processing services on a fee basis and provides other managerial and administrative services on a shared cost basis. Such other managerial and administrative services include but are not limited to accounting, financial reporting, compliance services, reinsurance administration, tax reporting, reserve computation, and projections.

During 2012, the Company entered into an intercompany capital support agreement with Shades Creek Captive Insurance Company ("Shades Creek"), a direct wholly-owned subsidiary. The agreement provides through a guarantee that the Company will contribute assets or purchase surplus notes (or cause an affiliate or third party to contribute assets or purchase surplus notes) in amounts necessary for Shades Creek's regulatory capital levels to equal or exceed minimum thresholds as defined by the agreement. As of December 31, 2013, Shades Creek maintained capital levels in excess of the required minimum thresholds. The maximum potential future payment amount which could be required under the capital support agreement will be dependent on numerous factors, including the performance of equity markets, the level of interest rates, performance of associated hedges, and related policyholder behavior.

21. STATUTORY REPORTING PRACTICES AND OTHER REGULATORY MATTERS

The Company's insurance subsidiaries prepare statutory financial statements for regulatory purposes in accordance with accounting practices prescribed by the NAIC and the applicable state insurance department laws and regulations. These financial statements vary materially from GAAP. Statutory accounting practices include publications of the NAIC, state laws, regulations, general administrative rules as well as certain permitted accounting practices granted by the respective state insurance department. Generally, the most significant differences are that statutory financial statements do not reflect 1) deferred acquisition costs, 2) benefit liabilities that are calculated using Company estimates of expected mortality, interest, and withdrawals, 3) deferred income taxes that are not subject to statutory limits, 4) recognition of realized gains and losses on the sale of securities in the period they are sold, and 5) fixed maturities recorded at fair values, but instead at amortized cost.

Statutory net income for PLICO was $165.5 million, $376.3 million, and $259.2 million for the year ended December 31, 2013, 2012 and 2011 respectively. Statutory capital and surplus for PLICO was $2.9 billion and $3.0 billion as of December 31, 2013 and 2012, respectively.

The Company's insurance subsidiaries are subject to various state statutory and regulatory restrictions on the insurance subsidiaries' ability to pay dividends to Protective Life Corporation. In general, dividends up to specified levels are considered ordinary and may be paid thirty days after written notice to the insurance commissioner of the state of domicile unless such commissioner objects to the dividend prior to the expiration of such period. Dividends in larger amounts are considered extraordinary and are subject to affirmative prior approval by such commissioner. The maximum amount that would qualify as ordinary dividends to the Company from our insurance subsidiaries, and which would consequently be free from restriction and available for the payment of dividends to the Company's shareowners in 2014 is estimated to be $305.1 million. This results in approximately $3.4 billion of the Company's net assets being restricted from transfer to PLC without prior approval from the respective state insurance department. Additionally, as of December 31, 2013, approximately $698.6 million of consolidated shareowners' equity, excluding net unrealized gains on investments, represented net assets of the Company's insurance subsidiaries needed to maintain the minimum capital required by the insurance subsidiaries' respective state insurance departments.

State insurance regulators and the National Association of Insurance Commissioners ("NAIC") have adopted risk-based capital ("RBC") requirements for life insurance companies to evaluate the adequacy of statutory capital and surplus in relation to investment and insurance risks. The requirements provide a means of measuring the minimum amount of statutory surplus appropriate for an insurance company to support its overall business operations based on its size and risk profile.

A company's risk-based statutory surplus is calculated by applying factors and performing calculations relating to various asset, premium, claim, expense and reserve items. Regulators can then measure the adequacy of a company's statutory surplus by comparing it to the RBC. Under specific RBC requirements, regulatory compliance is determined by the ratio of a company's total adjusted capital, as defined by the insurance regulators, to its company action level of RBC (known as the RBC ratio), also as defined by insurance regulators. As of December 31, 2013, the Company's total adjusted capital and company action level RBC was $3.2 billion and $714.8 million, respectively, providing an RBC ratio of approximately 446%.

Additionally, the Company has certain assets that are on deposit with state regulatory authorities and restricted from use. As of December 31, 2013, the Company's insurance subsidiaries had on deposit with regulatory authorities, fixed maturity and short-term investments with a fair value of approximately $47.4 million.

The states of domicile of the Company's insurance subsidiaries have adopted prescribed accounting practices that differ from the required accounting outlined in NAIC Statutory Accounting Principles ("SAP"). The insurance subsidiaries also have certain accounting practices permitted by the states of domicile that differ from those found in NAIC SAP.

Certain prescribed and permitted practices impact the statutory surplus of PLICO, the Company's primary operating subsidiary. These practices include the non-admission of goodwill as an asset for statutory reporting and the reporting of Bank Owned Life Insurance ("BOLI") separate account amounts at book value rather than at fair value.

The favorable (unfavorable) effects of PLICO's statutory surplus, compared to NAIC statutory surplus, from the use of these prescribed and permitted practices were as follows:

	As of December 31,	
	2013	2012
	(Dollars In Millions)	
Non-admission of goodwill	$ (311)	$ —
Report BOLI Separate Accounts at Book Value	—	(1)
Reserving difference related to a captive insurance company	—	(49)
Total (net)	$ (311)	$ (50)

The Company also has certain prescribed and permitted practices which are applied at the subsidiary level and do not have a direct impact on the statutory surplus of PLICO. These practices include permission to follow the actuarial guidelines of the domiciliary state of the ceding insurer for certain captive reinsurers, accounting for the face amount of all issued, and outstanding letters of credit and a note issued by an affiliate as assets in the statutory financial statements of certain wholly owned subsidiaries that are considered "Special Purpose Financial Captives", and a reserve difference related to a captive insurance company.

The favorable (unfavorable) effects on the statutory surplus of the Company's insurance subsidiaries, compared to NAIC statutory surplus, from the use of these prescribed and permitted practices were as follows:

	As of December 31,	
	2013	2012
	(Dollars In Millions)	
Accounting for Letters of Credit as admitted assets	$ 1,415	$ 1,205
Accounting for Red Mountain Note as admitted asset	$ 365	$ 300
Reserving based on state specific actuarial practices	$ 105	$ 95
Reserving difference related to a captive insurance company	$ (22)	$ —

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company determined the fair value of its financial instruments based on the fair value hierarchy established in FASB guidance referenced in the Fair Value Measurements and Disclosures Topic which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company has adopted the provisions from the FASB guidance that is referenced in the Fair Value Measurements and Disclosures Topic for non-financial assets and liabilities (such as property and equipment, goodwill, and other intangible assets) that are required to be measured at fair value on a periodic basis. The effect on the Company's periodic fair value measurements for non-financial assets and liabilities was not material.

The Company has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three level hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure fair value fall within different levels of the hierarchy, the category level is based on the lowest priority level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded at fair value on the consolidated balance sheets are categorized as follows:

- **Level 1:** Unadjusted quoted prices for identical assets or liabilities in an active market.

- **Level 2:** Quoted prices in markets that are not active or significant inputs that are observable either directly or indirectly. Level 2 inputs include the following:

  a) Quoted prices for similar assets or liabilities in active markets

  b) Quoted prices for identical or similar assets or liabilities in non-active markets

  c) Inputs other than quoted market prices that are observable

  d) Inputs that are derived principally from or corroborated by observable market data through correlation or other means.

- **Level 3:** Prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. They reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

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The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of December 31, 2013:

	Level 1	Level 2	Level 3	Total
	(Dollars In Thousands)			
Assets:				
Fixed maturity securities—available-for-sale				
Residential mortgage-backed securities	$ —	$ 1,445,040	$ 28	$ 1,445,068
Commercial mortgage-backed securities	—	970,656	—	970,656
Other asset-backed securities	—	326,175	545,808	871,983
U.S. government-related securities	1,211,141	296,749	—	1,507,890
State, municipalities, and political subdivisions	—	1,407,154	3,675	1,410,829
Other government-related securities	—	51,427	—	51,427
Corporate bonds	107	24,209,541	1,549,940	25,759,588
Total fixed maturity securities—available-for-sale	1,211,248	28,706,742	2,099,451	32,017,441
Fixed maturity securities—trading				
Residential mortgage-backed securities	—	310,877	—	310,877
Commercial mortgage-backed securities	—	158,570	—	158,570
Other asset-backed securities	—	93,278	194,977	288,255
U.S. government-related securities	191,332	4,906	—	196,238
State, municipalities, and political subdivisions	—	260,892	—	260,892
Other government-related securities	—	57,097	—	57,097
Corporate bonds	—	1,497,362	29,199	1,526,561
Total fixed maturity securities—trading	191,332	2,382,982	224,176	2,798,490
Total fixed maturity securities	1,402,580	31,089,724	2,323,627	34,815,931
Equity securities	523,219	50,927	71,881	646,027
Other long-term investments(1)	56,469	54,965	196,133	307,567
Short-term investments	132,543	1,603	—	134,146
Total investments	2,114,811	31,197,219	2,591,641	35,903,671
Cash	466,542	—	—	466,542
Other assets	10,979	—	—	10,979
Assets related to separate accounts				
Variable annuity	12,791,438	—	—	12,791,438
Variable universal life	783,618	—	—	783,618
Total assets measured at fair value on a recurring basis	$ 16,167,388	$ 31,197,219	$ 2,591,641	$ 49,956,248
Liabilities:				
Annuity account balances(2)	$ —	$ —	$ 107,000	$ 107,000
Other liabilities(1)	30,241	156,931	270,630	457,802
Total liabilities measured at fair value on a recurring basis	$ 30,241	$ 156,931	$ 377,630	$ 564,802

(1) Includes certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

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The following table presents the Company's hierarchy for its assets and liabilities measured at fair value on a recurring basis as of December 31, 2012:

	Level 1	Level 2	Level 3	Total
	(Dollars In Thousands)			
Assets:				
Fixed maturity securities—available-for-sale				
Residential mortgage-backed securities	$ —	$ 1,839,326	$ 4	$ 1,839,330
Commercial mortgage-backed securities	—	869,823	—	869,823
Other asset-backed securities	—	378,870	596,143	975,013
U.S. government-related securities	909,988	259,955	—	1,169,943
State, municipalities, and political subdivisions	—	1,439,378	4,335	1,443,713
Other government-related securities	—	80,767	20,011	100,778
Corporate bonds	207	20,213,952	167,892	20,382,051
Total fixed maturity securities—available-for-sale	910,195	25,082,071	788,385	26,780,651
Fixed maturity securities—trading				
Residential mortgage-backed securities	—	357,803	—	357,803
Commercial mortgage-backed securities	—	171,073	—	171,073
Other asset-backed securities	—	87,395	70,535	157,930
U.S. government-related securities	304,704	1,169	—	305,873
State, municipalities, and political subdivisions	—	278,898	—	278,898
Other government-related securities	—	63,444	—	63,444
Corporate bonds	—	1,672,172	115	1,672,287
Total fixed maturity securities—trading	304,704	2,631,954	70,650	3,007,308
Total fixed maturity securities	1,214,899	27,714,025	859,035	29,787,959
Equity securities	307,252	35,116	69,418	411,786
Other long-term investments(1)	23,639	58,134	31,591	113,364
Short-term investments	215,320	2,492	—	217,812
Total investments	1,761,110	27,809,767	960,044	30,530,921
Cash	368,801	—	—	368,801
Other assets	8,239	—	—	8,239
Assets related to separate accounts				
Variable annuity	9,601,417	—	—	9,601,417
Variable universal life	562,817	—	—	562,817
Total assets measured at fair value on a recurring basis	$ 12,302,384	$ 27,809,767	$ 960,044	$ 41,072,195
Liabilities:				
Annuity account balances(2)	$ —	$ —	$ 129,468	$ 129,468
Other liabilities(1)	19,187	27,250	611,437	657,874
Total liabilities measured at fair value on a recurring basis	$ 19,187	$ 27,250	$ 740,905	$ 787,342

(1) Includes certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

Determination of Fair Values

The valuation methodologies used to determine the fair values of assets and liabilities reflect market participant assumptions and are based on the application of the fair value hierarchy that prioritizes observable market inputs over unobservable inputs. The Company determines the fair values of certain financial assets and financial liabilities based on quoted market prices, where available. The Company also determines certain fair values based on future cash flows discounted at the appropriate current market rate. Fair values reflect adjustments for counterparty credit quality, the Company's credit standing, liquidity, and where appropriate, risk margins on unobservable parameters. The following is a discussion of the methodologies used to determine fair values for the financial instruments as listed in the above table.

The fair value of fixed maturity, short-term, and equity securities is determined by management after considering one of three primary sources of information: third party pricing services, non-binding independent broker quotations, or pricing matrices. Security pricing is applied using a "waterfall" approach whereby publicly available prices are first sought from third party pricing services, the remaining unpriced securities are submitted to independent brokers for non-binding prices, or lastly, securities are priced using a pricing matrix. Typical inputs used by these three pricing methods include, but are not limited to: benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Third party pricing services price approximately 90% of the Company's available-for-sale and trading fixed maturity securities. Based on the typical trading volumes and the lack of quoted market prices for available-for-sale and trading fixed maturities, third party pricing services derive the majority of security prices from observable market inputs such as recent reported trades for identical or similar securities making adjustments through the reporting date based upon available market observable information outlined above. If there are no recent reported trades, the third party pricing services and brokers may use matrix or model processes to develop a security price where future cash flow expectations are developed based upon collateral performance and discounted at an estimated market rate. Certain securities are priced via independent non-binding broker quotations, which are considered to have no significant unobservable inputs. When using non-binding independent broker quotations, the Company obtains one quote per security, typically from the broker from which we purchased the security. A pricing matrix is used to price securities for which the Company is unable to obtain or effectively rely on either a price from a third party pricing service or an independent broker quotation.

The pricing matrix used by the Company begins with current spread levels to determine the market price for the security. The credit spreads, assigned by brokers, incorporate the issuer's credit rating, liquidity discounts, weighted-average of contracted cash flows, risk premium, if warranted, due to the issuer's industry, and the security's time to maturity. The Company uses credit ratings provided by nationally recognized rating agencies.

For securities that are priced via non-binding independent broker quotations, the Company assesses whether prices received from independent brokers represent a reasonable estimate of fair value through an analysis using internal and external cash flow models developed based on spreads and, when available, market indices. The Company uses a market-based cash flow analysis to validate the reasonableness of prices received from independent brokers. These analytics, which are updated daily, incorporate various metrics (yield curves, credit spreads, prepayment rates, etc.) to determine the valuation of such holdings. As a result of this analysis, if the Company determines there is a more appropriate fair value based upon the analytics, the price received from the independent broker is adjusted accordingly. The Company did not adjust any quotes or prices received from brokers during the year ended December 31, 2013.

The Company has analyzed the third party pricing services' valuation methodologies and related inputs and has also evaluated the various types of securities in its investment portfolio to determine an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs that is in accordance with the Fair Value Measurements and Disclosures Topic of the ASC. Based on this evaluation and investment class analysis, each price was classified into Level 1, 2, or 3. Most prices provided by third party pricing services are classified into Level 2 because the significant inputs used in pricing the securities are market observable and the observable inputs are corroborated by the Company. Since the matrix pricing of certain debt securities includes significant non-observable inputs, they are classified as Level 3.

Asset-Backed Securities

This category mainly consists of residential mortgage-backed securities, commercial mortgage-backed securities, and other asset-backed securities (collectively referred to as asset-backed securities or "ABS"). As of December 31, 2013, the Company held $3.3 billion of ABS classified as Level 2. These securities are priced from information provided by a third party pricing service and independent broker quotes. The third party pricing services and brokers mainly value securities using both a market and income approach to valuation. As part of this valuation process they consider the following characteristics of the item being measured to be relevant inputs: 1) weighted-average coupon rate, 2) weighted-average years to maturity, 3) types of underlying assets, 4) weighted-average coupon rate of the underlying assets, 5) weighted-average years to maturity of the underlying assets, 6) seniority level of the tranches owned, and 7) credit ratings of the securities.

After reviewing these characteristics of the ABS, the third party pricing service and brokers use certain inputs to determine the value of the security. For ABS classified as Level 2, the valuation would consist of predominantly market observable inputs such as, but not limited to: 1) monthly principal and interest payments on the underlying assets, 2) average life of the security, 3) prepayment speeds, 4) credit spreads, 5) treasury and swap yield curves, and 6) discount margin. The Company reviews the methodologies and valuation techniques (including the ability to observe inputs) in assessing the information received from external pricing services and in consideration of the fair value presentation.

As of December 31, 2013, the Company held $740.8 million of Level 3 ABS, which included $545.8 million of other asset-backed securities classified as available-for-sale and $195.0 million of other asset-backed securities classified trading. These securities are predominantly ARS whose underlying collateral is at least 97% guaranteed by the FFELP. As a result of the ARS market collapse during 2008, the Company prices its ARS using an income approach valuation model. As part of the valuation process the Company reviews the following characteristics of the ARS in determining the relevant inputs: 1) weighted-average coupon rate, 2) weighted-average years to maturity, 3) types of underlying assets, 4) weighted-average coupon rate of the underlying assets, 5) weighted-average years to maturity of the underlying assets, 6) seniority level of the tranches owned, 7) credit ratings of the securities, 8) liquidity premium, and 9) paydown rate.

Corporate Bonds, U.S. Government-Related Securities, States, Municipals, and Political Subdivisions, and Other Government Related Securities

As of December 31, 2013, the Company classified approximately $27.8 billion of corporate bonds, U.S. government-related securities, states, municipals, and political subdivisions, and other government-related securities as Level 2. The fair value of the Level 2 bonds and securities is predominantly priced by broker quotes and a third party pricing service. The Company has reviewed the valuation techniques of the brokers and third party pricing service and has determined that such techniques used Level 2 market observable inputs. The following characteristics of the bonds and securities are considered to be the primary relevant inputs to the valuation: 1) weighted-average coupon rate, 2) weighted-average years to maturity, 3) seniority, and 4) credit ratings. The Company reviews the methodologies and valuation techniques (including the ability to observe inputs) in assessing the information received from external pricing services and in consideration of the fair value presentation.

The brokers and third party pricing service utilize valuation models that consist of a hybrid income and market approach to valuation. The pricing models utilize the following inputs: 1) principal and interest payments, 2) treasury yield curve, 3) credit spreads from new issue and secondary trading markets, 4) dealer quotes with adjustments for issues with early redemption features, 5) liquidity premiums present on private placements, and 6) discount margins from dealers in the new issue market.

As of December 31, 2013, the Company classified approximately $1.6 billion of bonds and securities as Level 3 valuations. Level 3 bonds and securities primarily represent investments in illiquid bonds for which no price is readily available. To determine a price, the Company uses a discounted cash flow model with both observable and unobservable inputs. These inputs are entered into an industry standard pricing model to determine the final price of the security. These inputs include: 1) principal and interest payments, 2) coupon rate, 3) sector and issuer level spread over treasury, 4) underlying collateral, 5) credit ratings, 6) maturity, 7) embedded options, 8) recent new issuance, 9) comparative bond analysis, and 10) an illiquidity premium.

Equities

As of December 31, 2013, the Company held approximately $122.8 million of equity securities classified as Level 2 and Level 3. Of this total, $67.1 million represents Federal Home Loan Bank ("FHLB") stock. The Company believes that the cost of the FHLB stock approximates fair value. The remainder of these equity securities is primarily made up of holdings we have obtained through bankruptcy proceedings or debt restructurings.

Other Long-Term Investments and Other Liabilities

Other long-term investments and other liabilities consist entirely of free-standing and embedded derivative financial instruments. Refer to Note 23, *Derivative Financial Instruments* for additional information related to derivatives. Derivative financial instruments are valued using exchange prices, independent broker quotations, or pricing valuation models, which utilize market data inputs. Excluding embedded derivatives, as of December 31, 2013, 95.9% of derivatives based upon notional values were priced using exchange prices or independent broker quotations. The remaining derivatives were priced by pricing valuation models, which predominantly utilize observable market data inputs. Inputs used to value derivatives include, but are not limited to, interest swap rates, credit spreads, interest rate and equity market volatility indices, equity index levels, and treasury rates. The Company performs monthly analysis on derivative valuations that includes both quantitative and qualitative analyses.

Derivative instruments classified as Level 1 generally include futures, credit default swaps, and options, which are traded on active exchange markets.

Derivative instruments classified as Level 2 primarily include interest rate and inflation swaps, options, and swaptions. These derivative valuations are determined using independent broker quotations, which are corroborated with observable market inputs.

Derivative instruments classified as Level 3 were embedded derivatives and include at least one significant non-observable input. A derivative instrument containing Level 1 and Level 2 inputs will be classified as a Level 3 financial instrument in its entirety if it has at least one significant Level 3 input.

The Company utilizes derivative instruments to manage the risk associated with certain assets and liabilities. However, the derivative instruments may not be classified within the same fair value hierarchy level as the associated assets and liabilities. Therefore, the changes in fair value on derivatives reported in Level 3 may not reflect the offsetting impact of the changes in fair value of the associated assets and liabilities.

The embedded derivatives are carried at fair value in "other long-term investments" and "other liabilities" on the Company's consolidated balance sheet. The changes in fair value are recorded in earnings as "Realized investment gains (losses)—Derivative financial instruments". Refer to Note 23, *Derivative Financial Instruments* for more information related to each embedded derivatives gains and losses.

The fair value of the GMWB embedded derivative is derived through the income method of valuation using a valuation model that projects future cash flows using multiple risk neutral stochastic equity scenarios and policyholder behavior assumptions. The risk neutral scenarios are generated using the current swap curve and projected equity volatilities and correlations. The projected equity volatilities are based on a blend of historical volatility and near-term equity market implied volatilities. The equity correlations are based on historical price observations. For policyholder behavior assumptions, expected lapse and utilization assumptions are used and updated for actual experience, as necessary. The Company assumes age-based mortality from the National Association of Insurance Commissioners 1994 Variable Annuity MGDB Mortality Table for company experience, with attained age factors varying from 49% - 80%. The present value of the cash flows is determined using the discount rate curve, which is based upon LIBOR plus a credit spread (to represent the Company's non-performance risk). As a result of using significant unobservable inputs, the GMWB embedded derivative is categorized as Level 3. These assumptions are reviewed on a quarterly basis.

The fair value of the FIA embedded derivative is derived through the income method of valuation using a valuation model that projects future cash flows using current index values and volatility, the hedge budget used to price the product, and policyholder assumptions (both elective and non-elective). For policyholder behavior assumptions, expected lapse and withdrawal assumptions are used and updated for actual experience, as necessary. The Company assumes age-based mortality from the 1994 Variable Annuity MGDB mortality table modified for company experience, with attained age factors varying from 49% - 80%. The present value of the cash flows is determined using the discount rate curve, which is based upon LIBOR up to one year and constant maturity treasury rates plus a credit spread (to represent the Company's non-performance risk) thereafter. Policyholder assumptions are reviewed on an annual basis. As a result of using significant unobservable inputs, the FIA embedded derivative is categorized as Level 3.

The Company has assumed and ceded certain blocks of policies under modified coinsurance agreements in which the investment results of the underlying portfolios inure directly to the reinsurers. As a result, these agreements contain embedded derivatives that are reported at fair value. Changes in their fair value are reported in earnings. The investments supporting these agreements are designated as "trading securities"; therefore changes in their fair value are also reported in earnings. The fair value of the embedded derivative is the difference between the statutory policy liabilities (net of policy loans) of $2.6 billion and the fair value of the trading securities of $2.8 billion. As a result, changes in the fair value of the embedded derivatives are largely offset by the changes in fair value of the related investments and each are reported in earnings. The fair value of the embedded derivative is considered a Level 3 valuation due to the unobservable nature of the policy liabilities.

Annuity Account Balances

The Company records certain of its FIA reserves at fair value. The fair value is considered a Level 3 valuation. The FIA valuation model calculates the present value of future benefit cash flows less the projected future profits to quantify the net liability that is held as a reserve. This calculation is done using multiple risk neutral stochastic equity scenarios. The cash flows are discounted using LIBOR plus a credit spread. Best estimate assumptions are used for partial withdrawals, lapses, expenses and asset earned rate with a risk margin applied to each. These assumptions are reviewed at least annually as a part of the formal unlocking process. If an event were to occur within a quarter that would make the assumptions unreasonable, the assumptions would be reviewed within the quarter.

The discount rate for the fixed indexed annuities is based on an upward sloping rate curve which is updated each quarter. The discount rates for December 31, 2013, ranged from a one month rate of 0.32%, a 5 year rate of 2.44%, and a 30 year rate of 4.99%. A credit spread component is also included in the calculation to accommodate non-performance risk.

Separate Accounts

Separate account assets are invested in open-ended mutual funds and are included in Level 1.

Valuation of Level 3 Financial Instruments

The following table presents the valuation method for material financial instruments included in Level 3, as well as the unobservable inputs used in the valuation of those financial instruments:

	Fair Value As of December 31, 2013	Valuation Technique	Unobservable Input	Range (Weighted Average)
	(Dollars In Thousands)			
Assets:				
Other asset-backed securities	$ 545,808	Discounted cash flow	Liquidity premium	1.00% - 1.68% (1.08%)
			Paydown rate	8.57% - 16.87% (12.05%)
Corporate bonds	1,555,898	Discounted cash flow	Spread over treasury	0.11% - 6.75% (2.06%)
Embedded derivatives — GMWB[1]	156,287	Actuarial cash flow model	Mortality	49% to 80% of 1994 MGDB table
			Lapse	0% - 24%, depending on product/duration/funded status of guarantee
			Utilization	97% - 103%
			Nonperformance risk	0.15% - 1.06%
Liabilities:				
Annuity account balances[2]	$ 107,000	Actuarial cash flow model	Asset earned rate	5.37%
			Expenses	$88 - $102 per policy
			Withdrawal rate	2.20%
			Mortality	49% to 80% of 1994 MGDB table
			Lapse	2.2% - 33.0%, depending on duration/surrender charge period
			Return on assets	1.50% - 1.85% depending on surrender charge period
			Nonperformance risk	0.15% - 1.06%
Embedded derivative — FIA	25,324	Actuarial cash flow model	Expenses	$83 - $97 per policy
			Withdrawal rate	1.1% - 4.5% depending on duration and tax qualification
			Mortality	49% to 80% of 1994 MGDB table
			Lapse	2.5% - 40.0%, depending on duration/surrender charge period
			Nonperformance risk	0.15% - 1.06%

(1) The fair value for the GMWB embedded derivative is presented as a net asset. Excludes modified coinsurance arrangements.

(2) Represents liabilities related to fixed indexed annuities.

The chart above excludes Level 3 financial instruments that are valued using broker quotes and those which book value approximates fair value.

The Company has considered all reasonably available quantitative inputs as of December 31, 2013, but the valuation techniques and inputs used by some brokers in pricing certain financial instruments are not shared with the Company. This resulted in $216.6 million of financial instruments being classified as Level 3 as of December 31, 2013. Of the $216.6 million, $195.0 million are other asset backed securities, $21.0 million are corporate bonds, and $0.6 million are equity securities.

In certain cases the Company has determined that book value materially approximates fair value. As of December 31, 2013, the Company held $77.2 million of financial instruments where book value approximates fair value. Of the $77.2 million, $71.3 million represents equity securities, which are predominantly FHLB stock, $2.2 million of other corporate bonds, and $3.7 million of other fixed maturity securities.

The following table presents the valuation method for material financial instruments included in Level 3, as well as the unobservable inputs used in the valuation of those financial instruments:

		Fair Value As of December 31, 2012	Valuation Technique	Unobservable Input	Range (Weighted Average)
		(Dollars In Thousands)			
Assets:					
Other asset-backed securities	$	596,143	Discounted cash flow	Liquidity premium	0.72% - 1.68% (1.29%)
				Paydown rate	8.51% - 18.10% (11.40%)
Other government-related securities		20,011	Discounted cash flow	Spread over treasury	(0.30)%
Corporate bonds		168,007	Discounted cash flow	Spread over treasury	0.92% - 7.75% (3.34%)
Liabilities:					
Embedded derivatives —GMWB[1]	$	169,041	Actuarial cash flow model	Mortality	57% of 1994 MGDB table
				Lapse	0% - 24%, depending on product/duration/funded status of guarantee
				Utilization	93% - 100%
				Nonperformance risk	0.09% - 1.34%
Annuity account balances[2]		129,468	Actuarial cash flow model	Asset earned rate	5.81%
				Expenses	$88 - $108 per policy
				Withdrawal rate	2.20%
				Mortality	57% of 1994 MGDB table
				Lapse	2.2% - 45.0%, depending on duration/surrender charge period
				Return on assets	1.50% - 1.85% depending on surrender charge period
				Nonperformance risk	0.09% - 1.34%

(1) The fair value for the GMWB embedded derivative is presented as a net liability. Excludes modified coinsurance arrangements.

(2) Represents liabilities related to fixed indexed annuities.

The chart above excludes Level 3 financial instruments that are valued using broker quotes and those which book value approximates fair value.

The valuation techniques and inputs used by some brokers in pricing certain financial instruments are not shared with the Company which resulted in $71.1 million of financial instruments being classified as Level 3 as of December 31, 2012. Of the $71.1 million, $70.5 million are other asset backed securities and $0.6 million are equity securities.

In certain cases the Company has determined that book value materially approximates fair value. As of December 31, 2012, the Company held $73.2 million of financial instruments where book value approximates fair value. Of the $73.2 million, $68.9 million represents equity securities, which are predominantly FHLB stock, and $4.3 million of other fixed maturity securities.

The asset-backed securities classified as Level 3 are predominantly ARS. A change in the paydown rate (the projected annual rate of principal reduction) of the ARS can significantly impact the fair value of these securities. A decrease in the paydown rate would increase the projected weighted average life of the ARS and increase the sensitivity of the ARS' fair value to changes in interest rates. An increase in the liquidity premium would result in a decrease in the fair value of the securities, while a decrease in the liquidity premium would increase the fair value of these securities.

The fair value of corporate bonds classified as Level 3 is sensitive to changes in the interest rate spread over the corresponding U.S. Treasury rate.

This spread represents a risk premium that is impacted by company specific and market factors. An increase in the spread can be caused by a perceived increase in credit risk of a specific issuer and/or an increase in the overall market risk premium associated with similar securities. The fair values of corporate bonds are sensitive to changes in spread. When holding the treasury rate constant, the fair value of corporate bonds increases when spreads decrease, and decreases when spreads increases.

The GMWB liability is sensitive to changes in the discount rate which includes the Company's nonperformance risk, volatility, lapse, and mortality assumptions. The volatility assumption is an observable input as it is based on market inputs. The Company's nonperformance risk, lapse, and mortality are unobservable. An increase in the three unobservable assumptions would result in a decrease in the liability and conversely, if there is a decrease in the assumptions the liability would increase. The liability is also dependent on the assumed policyholder utilization of the GMWB where an increase in assumed utilization would result in an increase in the liability and conversely, if there is a decrease in the assumption, the liability would decrease.

The fair value of the FIA account balance liability is predominantly impacted by observable inputs such as discount rates and equity returns. However, the fair value of the FIA account balance liability is sensitive to the asset earned rate and required return on assets. The value of the liability increases with an increase in required return on assets and decreases with an increase in the asset earned rate and conversely, the value of the liability decreases with a decrease in required return on assets and an increase in the asset earned rate.

The fair value of the FIA embedded derivative is predominantly impacted by observable inputs such as discount rates and equity returns. However, the fair value of the FIA embedded derivative is sensitive to non-performance risk. The value of the liability increases with decreases in the discount rate and non-performance risk and decreases with increases in the discount rate and nonperformance risk. The value of the liability increases with increases in equity returns and the liability decreases with a decrease in equity returns.

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The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the year ended December 31, 2013, for which the Company has used significant unobservable inputs (Level 3):

		Total Realized and Unrealized Gains		Total Realized and Unrealized Losses									
	Beginning Balance	Included in Earnings	Included in Other Comprehensive Income	Included in Earnings	Included in Other Comprehensive Income	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Earnings related to Instruments still held at the Reporting Date
	(Dollars In Thousands)												
Assets:													
Fixed maturity securities available-for-sale													
Residential mortgage-backed securities	$ 4	$ —	$ 1,310	$ —	$ (338)	$ 14,348	$ (23)	$ —	$ —	$ (15,287)	$ 14	$ 28	$ —
Commercial mortgage-backed securities	—	—	—	—	—	—	—	—	—	—	—	—	—
Other asset-backed securities	596,143	—	44,620	—	(58,937)	24,931	(62,760)	—	—	1,227	584	545,808	—
U.S. government-related securities	—	—	—	—	—	—	—	—	—	—	—	—	—
States, municipals, and political subdivisions	4,335	—	—	—	(2)	—	(660)	—	—	—	2	3,675	—
Other government-related securities	20,011	—	2	—	(3)	—	(20,000)	—	—	—	(10)	—	—
Corporate bonds	167,892	116	8,310	—	(20,118)	736,012	(67,431)	—	—	726,760	(1,601)	1,549,940	—
Total fixed maturity securities—available-for-sale	788,385	116	54,242	—	(79,398)	775,291	(150,874)	—	—	712,700	(1,011)	2,099,451	—
Fixed maturity securities—trading													
Residential mortgage-backed securities	—	—	—	(1)	—	1,582	(72)	—	—	(1,494)	(15)	—	—
Commercial mortgage-backed securities	—	—	—	—	—	—	—	—	—	—	—	—	—
Other asset-backed securities	70,535	8,785	—	(5,947)	—	147,224	(29,344)	—	—	2,210	1,514	194,977	3,588
U.S. government-related securities	—	—	—	—	—	—	—	—	—	—	—	—	—
States, municipals and political subdivisions	—	—	—	(123)	—	3,500	—	—	—	(3,377)	—	—	—
Other government-related securities	—	—	—	—	—	—	—	—	—	—	—	—	—
Corporate bonds	115	1	—	(102)	—	4,880	(17)	—	—	24,312	10	29,199	(5)
Total fixed maturity securities—trading	70,650	8,786	—	(6,173)	—	157,186	(29,433)	—	—	21,651	1,509	224,176	3,583
Total fixed maturity securities	859,035	8,902	54,242	(6,173)	(79,398)	932,477	(180,307)	—	—	734,351	498	2,323,627	3,583
Equity securities	69,418	—	10	—	—	2,453	—	—	—	—	—	71,881	—
Other long-term investments(1)	31,591	165,213	—	(671)	—	—	—	—	—	—	—	196,133	164,542
Short-term investments	—	—	—	—	—	—	—	—	—	—	—	—	—
Total investments	960,044	174,115	54,252	(6,844)	(79,398)	934,930	(180,307)	—	—	734,351	498	2,591,641	168,125
Total assets measured at fair value on a recurring basis	$ 960,044	$ 174,115	$ 54,252	$ (6,844)	$ (79,398)	$ 934,930	$ (180,307)	$ —	$ —	$ 734,351	$ 498	$ 2,591,641	$ 168,125
Liabilities:													
Annuity account balances(2)	$ 129,468	$ —	$ —	$ (8,029)	$ —	$ —	$ —	$ 406	$ 30,903	$ —	$ —	$ 107,000	$ —
Other liabilities(1)	611,437	425,867	—	(85,060)	—	—	—	—	—	—	—	270,630	340,024
Total liabilities measured at fair value on a recurring basis	$ 740,905	$ 425,867	$ —	$ (93,089)	$ —	$ —	$ —	$ 406	$ 30,903	$ —	$ —	$ 377,630	$ 340,024

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

For the year ended December 31, 2013, $771.6 million of securities were transferred into Level 3. This amount was transferred from Level 2. These transfers resulted from securities that were priced by independent pricing services or brokers in previous periods, using no significant unobservable inputs, but were priced internally using significant unobservable inputs where market observable inputs were no longer available as of December 31, 2013.

For the year ended December 31, 2013, $37.2 million of securities were transferred out of Level 3. This amount was transferred to Level 2. These transfers resulted from securities that were previously valued using an internal model that utilized significant unobservable inputs but were valued internally or by independent pricing services or brokers, utilizing no significant unobservable inputs. All transfers are recognized as of the end of the reporting period.

For the year ended December 31, 2013, there were no transfers from Level 2 to Level 1.

For the year ended December 31, 2013, there were no transfers from Level 1.

The following table presents a reconciliation of the beginning and ending balances for fair value measurements for the year ended December 31, 2012, for which the Company has used significant unobservable inputs (Level 3):

		Total Realized and Unrealized Gains		Total Realized and Unrealized Losses									
	Beginning Balance	Included in Earnings	Included in Other Comprehensive Income	Included in Earnings	Included in Other Comprehensive Income	Purchases	Sales	Issuances	Settlements	Transfers in/out of Level 3	Other	Ending Balance	Total Gains (losses) included in Earnings related to Instruments still held at the Reporting Date
	(Dollars In Thousands)												
Assets:													
Fixed maturity securities available-for-sale													
Residential mortgage-backed securities	$ 7	$ —	$ —	$ —	$ —	$ —	$ (3)	$ —	$ —	$ —	$ —	$ 4	$ —
Commercial mortgage-backed securities	—	—	—	—	—	—	—	—	—	—	—	—	—
Other asset-backed securities	614,813	339	21,780	—	(22,587)	—	(19,050)	—	—	771	77	596,143	—
U.S. government-related securities	15,000	—	—	—	(2)	—	(15,000)	—	—	—	2	—	—
States, municipals, and political subdivisions	69	—	—	—	(1)	4,275	(9)	—	—	—	1	4,335	—
Other government-related securities	—	—	29	—	(27)	20,024	—	—	—	—	(15)	20,011	—
Corporate bonds	119,601	470	8,052	(4)	(2,723)	11,960	(9,854)	—	—	40,060	330	167,892	—
Total fixed maturity securities—available-for-sale	749,490	809	29,861	(4)	(25,340)	36,259	(43,916)	—	—	40,831	395	788,385	—
Fixed maturity securities—trading													
Residential mortgage-backed securities	—	—	—	—	—	—	—	—	—	—	—	—	—
Commercial mortgage-backed securities	—	—	—	—	—	—	—	—	—	—	—	—	—
Other asset-backed securities	28,343	4,086	—	(2,306)	—	48,255	(9,896)	—	—	—	2,053	70,535	1,780
U.S. government-related securities	—	—	—	—	—	—	—	—	—	—	—	—	—
States, municipals and political subdivisions	—	—	—	—	—	—	—	—	—	—	—	—	—
Other government-related securities	—	—	—	—	—	—	—	—	—	—	—	—	—
Corporate bonds	—	2	—	—	—	1	—	—	—	112	—	115	10
Total fixed maturity securities—trading	28,343	4,088	—	(2,306)	—	48,256	(9,896)	—	—	112	2,053	70,650	1,790
Total fixed maturity securities	777,833	4,897	29,861	(2,310)	(25,340)	84,515	(53,812)	—	—	40,943	2,448	859,035	1,790
Equity securities	80,586	8	826	—	(1,097)	4	(4,295)	—	—	—	(6,614)	69,418	—
Other long-term investments(1)	12,703	26,747	—	(7,859)	—	—	—	—	—	—	—	31,591	18,888
Short-term investments	—	—	—	—	—	—	—	—	—	—	—	—	—
Total investments	871,122	31,652	30,687	(10,169)	(26,437)	84,519	(58,107)	—	—	40,943	(4,166)	960,044	20,678
Total assets measured at fair value on a recurring basis	$ 871,122	$ 31,652	$ 30,687	$ (10,169)	$ (26,437)	$ 84,519	$(58,107)	$ —	$ —	$40,943	$(4,166)	$960,044	$ 20,678
Liabilities:													

Annuity account balances[2]	$ 136,462	$ —	$ —	$ (12,293)	$ —	$ —	$ —	$ 860	$ 20,147	$ —	$ —	$129,468	$ —
Other liabilities[1]	437,613	86,523	—	(260,347)	—	—	—	—	—	—	—	611,437	(173,824)
Total liabilities measured at fair value on a recurring basis	$ 574,075	$ 86,523	$ —	$(272,640)	$ —	$ —	$ —	$ 860	$ 20,147	$ —	$ —	$740,905	$ (173,824)

(1) Represents certain freestanding and embedded derivatives.

(2) Represents liabilities related to fixed indexed annuities.

For the year ended December 31, 2012, $67.7 million of securities were transferred into Level 3. This amount was transferred from Level 2. These transfers resulted from securities that were priced by independent pricing services or brokers in previous periods, using no significant unobservable inputs, but were priced internally using significant unobservable inputs where market observable inputs were no longer available as of December 31, 2012.

For the year ended December 31, 2012, $26.8 million of securities were transferred out of Level 3. This amount was transferred to Level 2. These transfers resulted from securities that were previously valued using an internal model that utilized significant unobservable inputs but were valued internally or by independent pricing services or brokers, utilizing no significant unobservable inputs. All transfers are recognized as of the end of the reporting period.

For the year ended December 31, 2012, there were no transfers from Level 2 to Level 1.

Total realized and unrealized gains (losses) on Level 3 assets and liabilities are primarily reported in either realized investment gains (losses) within the consolidated statements of income (loss) or other comprehensive income (loss) within shareowners' equity based on the appropriate accounting treatment for the item.

Purchases, sales, issuances, and settlements, net, represent the activity that occurred during the period that results in a change of the asset or liability but does not represent changes in fair value for the instruments held at the beginning of the period. Such activity primarily relates to purchases and sales of fixed maturity securities and issuances and settlements of equity indexed annuities.

The Company reviews the fair value hierarchy classifications each reporting period. Changes in the observability of the valuation attributes may result in a reclassification of certain financial assets or liabilities. Such reclassifications are reported as transfers in and out of Level 3 at the beginning fair value for the reporting period in which the changes occur. The asset transfers in the table(s) above primarily related to positions moved from Level 3 to Level 2 as the Company determined that certain inputs were observable.

The amount of total gains (losses) for assets and liabilities still held as of the reporting date primarily represents changes in fair value of trading securities and certain derivatives that exist as of the reporting date and the change in fair value of equity indexed annuities.

Estimated Fair Value of Financial Instruments

The carrying amounts and estimated fair values of the Company's financial instruments as of the periods shown below are as follows:

		As of December 31,			
		2013		2012	
	Fair Value Level	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
		(Dollars In Thousands)			
Assets:					
Mortgage loans on real estate	3	$ 5,486,417	$ 5,949,058	$ 4,950,201	$ 5,725,382
Policy loans	3	1,815,744	1,815,744	865,391	865,391
Fixed maturities, held-to-maturity(1)	3	365,000	335,676	300,000	319,163
Liabilities:					
Stable value product account balances	3	$ 2,559,552	$ 2,566,209	$ 2,510,559	$ 2,534,094
Annuity account balances	3	11,125,253	10,639,637	10,658,463	10,525,702
Debt:					
Bank borrowings	3	$ 485,000	$ 485,000	$ 50,000	$ 50,000
Senior and Medium-Term Notes	2	1,100,000	1,294,675	1,350,000	1,584,438
Subordinated debt securities	2	540,593	473,503	540,593	556,524
Non-recourse funding obligations(2)	3	562,448	470,709	586,000	481,056

Except as noted below, fair values were estimated using quoted market prices.

(1) Security purchased from unconsolidated subsidiary, Red Mountain LLC.

(2) Of this carrying amount $365.0 million, fair value of $321.5 million, as of December 31, 2013, and $300 million, fair value of $297.6 million, as of December 31, 2012, relates to non-recourse funding obligations issued by Golden Gate V.

Fair Value Measurements

Mortgage Loans on Real Estate

The Company estimates the fair value of mortgage loans using an internally developed model. This model includes inputs derived by the Company based on assumed discount rates relative to the Company's current mortgage loan lending rate and an expected cash flow analysis based on a review of the mortgage loan terms. The model also contains the Company's determined representative risk adjustment assumptions related to credit and liquidity risks.

Policy Loans

The Company believes the fair value of policy loans approximates book value. Policy loans are funds provided to policy holders in return for a claim on the policy. 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 repayments, the Company believes the fair value of policy loans approximates carrying value.

Fixed Maturities, Held-to-Maturity

The Company estimates the fair value of its fixed maturity, held-to-maturity using internal discounted cash flow models. The discount rates used in the model were based on a current market yield for similar financial instruments.

Stable Value Product and Annuity Account Balances

The Company estimates the fair value of stable value product account balances and annuity account balances using models based on discounted expected cash flows. The discount rates used in the models were based on a current market rate for similar financial instruments.

Debt

Bank Borrowings

The Company believes the carrying value of its bank borrowings approximates fair value as the borrowings pay a floating interest rate plus a spread based on the rating of the Company's senior debt which the Company believes approximates a market interest rate.

Non-Recourse Funding Obligations

The Company estimates the fair value of its non-recourse funding obligations using internal discounted cash flow models. The discount rates used in the model were based on a current market yield for similar financial instruments.

23. DERIVATIVE FINANCIAL INSTRUMENTS

Types of Derivative Instruments and Derivative Strategies

The Company utilizes a risk management strategy that incorporates the use of derivative financial instruments to reduce exposure to certain risks, including but not limited to, interest rate risk, inflation risk, currency exchange risk, volatility risk, and equity market risk. These strategies are developed through the Company's analysis of data from financial simulation models and other internal and industry sources, and are then incorporated into the Company's risk management program.

Derivative instruments expose the Company to credit and market risk and could result in material changes from period to period. The Company attempts to minimize its credit risk by entering into transactions with highly rated counterparties. The Company manages the market risk by establishing and monitoring limits as to the types and degrees of risk that may be undertaken. The Company monitors its use of derivatives in connection with its overall asset/liability management programs and risk management strategies. In addition, all derivative programs are monitored by our risk management department.

Derivatives Related to Interest Rate Risk Management

Derivative instruments that are used as part of the Company's interest rate risk management strategy include interest rate swaps, interest rate futures, interest rate caps, and interest rate swaptions. The Company's inflation risk management strategy involves the use of swaps that requires the Company to pay a fixed rate and receive a floating rate that is based on changes in the Consumer Price Index ("CPI").

Derivatives Related to Risk Mitigation of Variable Annuity Contracts

The Company may use the following types of derivative contracts to mitigate its exposure to certain guaranteed benefits related to VA contracts:

- Foreign Currency Futures

- Variance Swaps
- Interest Rate Futures
- Equity Options
- Equity Futures
- Credit Derivatives
- Interest Rate Swaps
- Interest Rate Swaptions
- Volatility Futures
- Volatility Options

Accounting for Derivative Instruments

The Company records its derivative financial instruments in the consolidated balance sheet in "other long-term investments" and "other liabilities" in accordance with GAAP, which requires that all derivative instruments be recognized in the balance sheet at fair value. The change in the fair value of derivative financial instruments is reported either in the statement of income or in other comprehensive income (loss), depending upon whether it qualified for and also has been properly identified as being part of a hedging relationship, and also on the type of hedging relationship that exists.

For a derivative financial instrument to be accounted for as an accounting hedge, it must be identified and documented as such on the date of designation. For cash flow hedges, the effective portion of their realized gain or loss is reported as a component of other comprehensive income and reclassified into earnings in the same period during which the hedged item impacts earnings. Any remaining gain or loss, the ineffective portion, is recognized in current earnings. For fair value hedge derivatives, their gain or loss as well as the offsetting loss or gain attributable to the hedged risk of the hedged item is recognized in current earnings. Effectiveness of the Company's hedge relationships is assessed on a quarterly basis.

The Company reports changes in fair values of derivatives that are not part of a qualifying hedge relationship through earnings in the period of change. Changes in the fair value of derivatives that are recognized in current earnings are reported in "Realized investment gains (losses)—Derivativ financial instruments".

Derivative Instruments Designated and Qualifying as Hedging Instruments

Cash-Flow Hedges

- In connection with the issuance of inflation-adjusted funding agreements, the Company has entered into swaps to essentially convert the floating CPI-linked interest rate on these agreements to a fixed rate. The Company pays a fixed rate on the swap and receives a floating rate primarily determined by the period's change in the CPI. The amounts that are received on the swaps are almost equal to the amounts that are paid on the agreements.

Derivative Instruments Not Designated and Not Qualifying as Hedging Instruments

The Company uses various other derivative instruments for risk management purposes that do not qualify for hedge accounting treatment. Changes in the fair value of these derivatives are recognized in earnings during the period of change.

Derivatives Related to Variable Annuity Contracts

- The Company uses equity, interest rate, currency, and volatility futures to mitigate the risk related to certain guaranteed minimum benefits, including GMWB, within our VA products. In general, the cost of such benefits varies with the level of equity and interest rate markets, foreign currency levels, and overall volatility. No volatility future positions were held during the year ended December 31, 2013.

- The Company uses equity options, volatility swaps, and volatility options to mitigate the risk related to certain guaranteed minimum benefits, including GMWB, within its variable annuity products. In general, the cost of such benefits varies with the level of equity markets and overall volatility. As of December 31, 2013, the Company did not hold any volatility options.

- The Company uses interest rate swaps and interest rate swaptions to mitigate the risk related to certain guaranteed minimum benefits, including GMWB, within its VA products.

- The Company entered into credit default swaps to partially mitigate the Company's non-performance risk related to certain guaranteed minimum withdrawal benefits within its variable annuity products. The Company reported net pre-tax losses of $7.9 million for the year ended December 31, 2011. Net settlementsreceived were $2.5 million, offset by termination losses of $10.4 million. As of December 31, 2013 and 2012, the Company did not hold any remaining credit default swaps.

- The Company markets certain VA products with a GMWB rider. The GMWB component is considered an embedded derivative, not considered to be clearly and closely related to the host contract.

Derivatives Related to Fixed Annuity Contracts

- The Company uses equity and volatility futures to mitigate the risk within its fixed indexed annuity products. In general, the cost of such benefits varies with the level of equity and overall volatility.

- The Company uses equity options to mitigate the risk within its fixed indexed annuity products. In general, the cost of such benefits varies with the level of equity markets.

- The Company markets certain fixed indexed annuity products. The FIA component is considered an embedded derivative, not considered to be clearly and closely related to the host contract.

Other Derivatives

- The Company uses certain interest rate swaps to mitigate the price volatility of fixed maturities.

- The Company has purchased interest rate caps to mitigate its risk with respect to the Company's LIBOR exposure and the potential impact of European financial market distress. As of December 31, 2013, the Company did not hold any interest rate caps.

- The Company uses various swaps and other types of derivatives to manage risk related to other exposures.

- The Company is involved in various modified coinsurance and funds withheld arrangements which contain embedded derivatives. Changes in their fair value are recorded in current period earnings. The investment portfolios that support the related modified coinsurance reserves and funds withheld arrangements had fair value changes which substantially offset the gains or losses on these embedded derivatives.

Realized investment gains (losses)—derivative financial instruments

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
Derivatives related to variable annuity contracts:			
Interest rate futures—VA	$ (31,216)	$ 21,138	$ 164,221
Equity futures—VA	(52,640)	(50,797)	(30,061)
Currency futures—VA	(469)	(2,763)	2,977
Volatility futures—VA	—	(132)	—
Variance swaps—VA	(11,310)	(11,792)	(239)
Equity options—VA	(95,022)	(37,370)	(15,051)
Volatility options—VA	(115)	—	—
Interest rate swaptions—VA	1,575	(2,260)	—
Interest rate swaps—VA	(157,408)	3,264	7,718
Credit default swaps—VA	—	—	(7,851)
Embedded derivative—GMWB	325,497	(22,120)	(127,537)
Total derivatives related to variable annuity contracts	(21,108)	(102,832)	(5,823)
Derivatives related to FIA contracts:			
Embedded derivative—FIA	(942)	—	—
Equity futures—FIA	173	—	—
Volatility futures—FIA	(5)	—	—
Equity options—FIA	1,866	—	—
Total derivatives related to FIA contracts	1,092	—	—
Embedded derivative—Modco reinsurance treaties	205,176	(132,816)	(134,340)
Interest rate swaps	2,985	(87)	(11,264)
Interest rate caps	—	(2,666)	(2,801)
Credit default swaps	—	—	(548)
Other derivatives	(14)	(79)	(475)
Total realized gains (losses)—derivatives	$ 188,131	$ (238,480)	$ (155,251)

Realized investment gains (losses)—all other investments

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
Modco trading portfolio[(1)]	$ (178,134)	$ 177,986	$ 164,224

(1) The Company elected to include the use of alternate disclosures for trading activities.

Gain (Loss) on Derivatives in Cash Flow Relationship

	Amount of Gains (Losses) Deferred in Accumulated Other Comprehensive Income (Loss) on Derivatives	Amount and Location of Gains (Losses) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)	Amount and Location of (Losses) Recognized in Income (Loss) on Derivatives
	(Effective Portion)	(Effective Portion)	(Ineffective Portion)
		Benefits and settlement expenses	Realized investment gains (losses)
		(Dollars In Thousands)	
For The Year Ended December 31, 2013			
Inflation	$ 1,130	$ (2,349)	$ (190)
Total	$ 1,130	$ (2,349)	$ (190)
For The Year Ended December 31, 2012			
Interest rate	$ (77)	$ (2,261)	$ —
Inflation	3,243	(938)	(177)
Total	$ 3,166	$ (3,199)	$ (177)

The tables below present information about the nature and accounting treatment of the Company's primary derivative financial instruments and the location in and effect on the consolidated financial statements for the periods presented below:

	As of December 31,			
	2013		2012	
	Notional Amount	Fair Value	Notional Amount	Fair Value
	(Dollars In Thousands)			
Other long-term investments				
Cash flow hedges:				
Inflation	$ —	$ —	$ —	$ —
Derivatives not designated as hedging instruments:				
Interest rate swaps	200,000	1,961	355,000	6,532
Variance swaps	—	—	500	406
Embedded derivative—Modco reinsurance treaties	80,376	1,517	30,244	1,330
Embedded derivative—GMWB	6,113,017	194,616	1,640,075	30,261
Interest rate futures	—	—	—	—
Equity futures	3,387	111	147,581	595
Currency futures	14,338	321	15,944	784
Interest rate caps	—	—	3,000,000	—
Equity options	1,376,205	78,277	573,493	61,833
Interest rate swaptions	625,000	30,291	400,000	11,370
Other	425	473	224	253
	$ 8,412,748	$ 307,567	$ 6,163,061	$ 113,364
Other liabilities				
Cash flow hedges:				
Inflation	$ 182,965	$ 1,865	$ 182,965	$ 5,027
Derivatives not designated as hedging instruments:				
Interest rate swaps	1,230,000	153,322	400,000	10,025
Variance swaps	1,500	1,744	2,675	12,198
Embedded derivative—Modco reinsurance treaties	2,578,590	206,918	2,655,134	411,907
Embedded derivative—GMWB	2,494,142	38,388	5,253,961	199,530
Embedded derivative—FIA	244,424	25,324	—	—
Interest rate futures	322,902	5,221	893,476	13,970
Equity futures	164,595	6,595	152,364	3,316
Currency futures	118,008	840	131,979	1,901
Equity options	257,065	17,558	—	—
Other	230	27	—	—
	$ 7,594,421	$ 457,802	$ 9,672,554	$ 657,874

Based on the expected cash flows of the underlying hedged items, the Company expects to reclassify $1.3 million out of accumulated other comprehensive income (loss) into earnings during the next twelve months.

From time to time, the Company is required to post and obligated to return collateral related to derivative transactions. As of December 31, 2013, the Company had posted cash and securities (at fair value) as collateral of approximately $102.3 million and $51.0 million, respectively. As of December 31, 2013, the Company received $10.7 million of cash as collateral. The Company does not net the collateral posted or received with the fair value of the derivative financial instruments for reporting purposes.

24. OFFSETTING OF ASSETS AND LIABILITIES

Certain of the Company's derivative instruments are subject to enforceable master netting arrangements that provide for the net settlement of all derivative contracts between the Company and a counterparty in the event of default or upon the occurrence of certain termination events. Collateral support agreements associated with each master netting arrangement provide that the Company will receive or pledge financial collateral in the event either minimum thresholds, or in certain cases ratings levels, have been reached. Additionally, certain of the Company's repurchase agreements provide for net settlement on termination of the agreement. Refer to Note 6, *Debt and Other Obligations* for details of the Company's repurchase agreement programs.

The tables below present the derivative instruments by assets and liabilities for the Company as of December 31, 2013:

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Gross Amounts Not Offset in the Statement of Financial Position: Cash Collateral Received	Net Amount
	(Dollars In Thousands)					
Offsetting of Derivative Assets						
Derivatives:						
Free-Standing derivatives	$ 110,983	$ —	$ 110,983	$ 52,487	$ 10,700	$ 47,796
Embedded derivative —Modco reinsurance treaties	1,517	—	1,517	—	—	1,517
Embedded derivative —GMWB	194,616		194,616	—	—	194,616
Total derivatives, subject to a master netting arrangement or similar arrangement	307,116	—	307,116	52,487	10,700	243,929
Total derivatives, not subject to a master netting arrangement or similar arrangement	451	—	451	—	—	451
Total derivatives	307,567	—	307,567	52,487	10,700	244,380
Total Assets	$ 307,567	$ —	$ 307,567	$ 52,487	$ 10,700	$ 244,380

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Gross Amounts Not Offset in the Statement of Financial Position: Cash Collateral Paid	Net Amount
	(Dollars In Thousands)					
Offsetting of Derivative Liabilities						
Derivatives:						
Free-Standing derivatives	$ 187,172	—	$ 187,172	$ 52,487	$ 98,359	$ 36,326
Embedded derivative—Modco reinsurance treaties	206,918	—	206,918	—	—	206,918
Embedded derivative—GMWB	38,388		38,388	—	—	38,388
Embedded derivative—FIA	25,324	—	25,324	—	—	25,324
Total derivatives, subject to a master netting arrangement or similar arrangement	457,802	—	457,802	52,487	98,359	306,956
Total derivatives, not subject to a master netting arrangement or similar arrangement	—	—	—	—	—	—
Total derivatives	457,802	—	457,802	52,487	98,359	306,956
Repurchase agreements[(1)]	350,000	—	350,000	—	—	350,000
Total Liabilities	$ 807,802	$ —	$ 807,802	$ 52,487	$ 98,359	$ 656,956

(1) Borrowings under repurchase agreements are for a term less than 90 days.

The tables below present the derivative instruments by assets and liabilities for the Company as of December 31, 2012:

Gross Amounts of Recognized Assets	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Assets Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Gross Amounts Not Offset in the Statement of Financial Position: Cash Collateral Received	Net Amount
(Dollars In Thousands)					

Offsetting of Derivative Assets						
Derivatives:						
Free-Standing derivatives	$ 81,520	—	$ 81,520	$ 21,565	$ 11,280	$ 48,675
Embedded derivative —Modco reinsurance treaties	1,330	—	1,330	—	—	1,330
Embedded derivative —GMWB	30,261	—	30,261	—	—	30,261
Total derivatives, subject to a master netting arrangement or similar arrangement	113,111	—	113,111	21,565	11,280	80,266
Total derivatives, not subject to a master netting arrangement or similar arrangement	253	—	253	—	—	253
Total derivatives	113,364	—	113,364	21,565	11,280	80,519
Total Assets	$ 113,364	$ —	$ 113,364	$ 21,565	$ 11,280	$ 80,519

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	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Statement of Financial Position	Net Amounts of Liabilities Presented in the Statement of Financial Position	Gross Amounts Not Offset in the Statement of Financial Position: Financial Instruments	Gross Amounts Not Offset in the Statement of Financial Position: Cash Collateral Paid	Net Amount
	(Dollars In Thousands)					
Offsetting of Derivative Liabilities						
Derivatives:						
Free-Standing derivatives	$ 46,437	$ —	$ 46,437	$ 21,565	$ 20,373	$ 4,499
Embedded derivative —Modco reinsurance treaties	411,907	—	411,907	—	—	411,907
Embedded derivative —GMWB	199,530	—	199,530	—	—	199,530
Embedded derivative —FIA	—	—	—	—	—	—
Total derivatives, subject to a master netting arrangement or similar arrangement	657,874	—	657,874	21,565	20,373	615,936
Total derivatives, not subject to a master netting arrangement or similar arrangement	—	—	—	—	—	—
Total derivatives	657,874	—	657,874	21,565	20,373	615,936
Repurchase agreements[1]	150,000	—	150,000	—	—	150,000
Total Liabilities	$ 807,874	$ —	$ 807,874	$ 21,565	$ 20,373	$ 765,936

(1) Borrowings under repurchase agreements are for a term less than 90 days.

25. OPERATING SEGMENTS

The Company has several operating segments each having a strategic focus. An operating segment is distinguished by products, channels of distribution, and/or other strategic distinctions. The Company periodically evaluates its operating segments, as prescribed in the ASC Segment Reporting Topic, and makes adjustments to its segment reporting as needed. A brief description of each segment follows.

- The Life Marketing segment markets UL, VUL, BOLI, and level premium term insurance ("traditional") products on a national basis primarily through networks of independent insurance agents and brokers, stockbrokers, and independent marketing organizations.

- The Acquisitions segment focuses on acquiring, converting, and servicing policies acquired from other companies. The segment's primary focus is on life insurance policies and annuity products that were sold to individuals. The level of the segment's acquisition activity is predicated upon many factors, including available capital, operating capacity, potential return on capital, and market dynamics. Policies acquired through the Acquisitions segment are typically blocks of business where no new policies are being marketed. Therefore earnings and account values are expected to decline as the result of lapses, deaths, and other terminations of coverage unless new acquisitions are made.

- The Annuities segment markets fixed and VA products. These products are primarily sold through broker-dealers, financial institutions, and independent agents and brokers.

- The Stable Value Products segment sells fixed and floating rate funding agreements directly to the trustees of municipal bond proceeds, money market funds, bank trust departments, and institutional investors. The segment also issues funding agreements to the Federal Home Loan Bank ("FHLB"), and markets guaranteed investment contracts ("GICs") to 401(k) and other qualified retirement savings plans. Additionally, the Company has contracts outstanding pursuant to a funding agreement-backed notes program registered with the United States Securities and Exchange Commission (the "SEC") which offered notes to both institutional and retail investors.

- The Asset Protection segment markets extended service contracts and credit life and disability insurance to protect consumers' investments in automobiles, watercraft, and recreational vehicles. In addition, the segment markets a guaranteed asset protection ("GAP") product. GAP coverage covers the difference between the loan pay-off amount and an asset's actual cash value in the case of a total loss.

- The Corporate and Other segment primarily consists of net investment income not assigned to the segments above (including the impact of carrying liquidity) and expenses not attributable to the segments above (including interest on certain corporate debt). This segment includes earnings from several non-strategic or runoff lines of business, various investment-related transactions, the operations of several small subsidiaries, and the repurchase of non-recourse funding obligations.

The Company uses the same accounting policies and procedures to measure segment operating income (loss) and assets as it uses to measure consolidated net income available to PLC's common shareowners and assets. Segment operating income (loss) is income before income tax, excluding realized gains and losses on investments and derivatives net of the amortization related to DAC, VOBA, and benefits and settlement expenses. Operating earnings exclude changes in the GMWB embedded derivatives (excluding the portion attributed to economic cost), realized and unrealized gains (losses) on derivatives used to hedge the VA product, actual GMWB incurred claims and the related amortization of DAC attributed to each of these items.

Segment operating income (loss) represents the basis on which the performance of the Company's business is internally assessed by management. Premiums and policy fees, other income, benefits and settlement expenses, and amortization of DAC/VOBA are attributed directly to each operating segment. Net investment income is allocated based on directly related assets required for transacting the business of that segment. Realized investment gains (losses) and other operating expenses are allocated to the segments in a manner that most appropriately reflects the operations of that segment. During the year ended December 31, 2013, the Company began allocating realized gains and losses to certain of its segments to better reflect the economics of the investments supporting those segments. This change had no impact to segment operating income. Investments and other assets are allocated based on statutory policy liabilities net of associated statutory policy assets, while DAC/VOBA and goodwill are shown in the segments to which they are attributable.

During the first quarter of 2011, the Company recorded $8.5 million of pre-tax earnings in the Corporate and Other business segment relating to the settlement of a dispute with respect to certain investments.

There were no significant intersegment transactions during the year ended December 31, 2013, 2012, and 2011.

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The following tables summarize financial information for the Company's segments:

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
Revenues			
Life Marketing	$1,444,806	$1,346,933	$1,301,301
Acquisitions	1,186,579	1,064,295	982,821
Annuities	714,552	612,202	634,347
Stable Value Products	122,790	122,849	170,115
Asset Protection	278,317	283,297	277,271
Corporate and Other	211,955	193,430	200,287
Total revenues	$3,958,999	$3,623,006	$3,566,142
Segment Operating Income (Loss)			
Life Marketing	$ 110,298	$ 105,032	$ 96,123
Acquisitions	154,003	171,060	157,393
Annuities	184,130	119,092	80,224
Stable Value Products	80,561	60,329	56,780
Asset Protection	26,795	16,454	25,407
Corporate and Other	(40,562)	(3,203)	5,767
Total segment operating income	515,225	468,764	421,694
Realized investment gains (losses) —investments[(1)(3)]	(172,720)	186,186	181,907
Realized investment gains (losses) —derivatives[(2)]	247,868	(201,979)	(133,370)
Income tax expense	(196,909)	(150,519)	(154,839)
Net income available to PLC's common shareowners	$ 393,464	$ 302,452	$ 315,392
(1) Investment (losses) gains	$ (145,984)	$ 172,149	$ 187,473
Less: amortization related to DAC/VOBA and benefits and settlement expenses	26,736	(14,037)	5,566
Realized investment gains (losses) —investments	$ (172,720)	$ 186,186	$ 181,907
(2) Derivatives gains (losses)	$ 188,131	$ (238,480)	$ (155,251)
Less: VA GMWB economic cost	(59,737)	(36,501)	(21,881)
Realized investment gains (losses) —derivatives	$ 247,868	$ (201,979)	$ (133,370)
Net investment income			
Life Marketing	$ 521,665	$ 486,463	$ 446,175
Acquisitions	617,298	550,334	529,261
Annuities	468,322	504,345	507,230
Stable Value Products	123,798	128,239	145,150
Asset Protection	23,179	24,310	26,501
Corporate and Other	163,819	168,641	166,326

Corporate and Other	165,819	168,041	166,526
Total net investment income	$1,918,081	$1,862,332	$1,820,643
Amortization of DAC and VOBA			
Life Marketing	$ 25,774	$ 45,079	$ 87,461
Acquisitions	72,762	77,251	75,041
Annuities	62,834	45,319	57,201
Stable Value Products	398	947	4,556
Asset Protection	30,505	33,951	38,080
Corporate and Other	625	1,018	2,654
Total amortization of DAC and VOBA	$ 192,898	$ 203,565	$ 264,993

(3) Includes credit related other-than-temporary impairments of $22.4 million, $58.9 million, and $47.4 million for the year ended December 31, 2013, 2012, and 2011, respectively.

	Life Marketing	Acquisitions	Annuities	Stable Value Products
	Operating Segment Assets As of December 31, 2013 (Dollars In Thousands)			
Investments and other assets	$ 13,135,914	$ 20,201,081	$ 19,974,246	$ 2,558,551
Deferred policy acquisition costs and value of business acquired	2,071,470	813,239	647,485	1,001
Goodwill	10,192	32,517	—	—
Total assets	$ 15,217,576	$ 21,046,837	$ 20,621,731	$ 2,559,552

	Asset Protection	Corporate and Other	Adjustments	Total Consolidated
Investments and other assets	$ 852,273	$ 8,355,618	$ 16,762	$ 65,094,445
Deferred policy acquisition costs and value of business acquired	50,358	646	—	3,584,199
Goodwill	62,671	83	—	105,463
Total assets	$ 965,302	$ 8,356,347	$ 16,762	$ 68,784,107

	Life Marketing	Acquisitions	Annuities	Stable Value Products
	Operating Segment Assets As of December 31, 2012 (Dollars In Thousands)			
Investments and other assets	$ 12,171,405	$ 11,312,550	$ 17,649,488	$ 2,509,160
Deferred policy acquisition costs and value of business acquired	2,001,708	679,746	491,184	1,399
Goodwill	10,192	35,615	—	—
Total assets	$ 14,183,305	$ 12,027,911	$ 18,140,672	$ 2,510,559

	Asset Protection	Corporate and Other	Adjustments	Total Consolidated
Investments and other assets	$ 789,916	$ 9,584,411	$ 19,662	$ 54,036,592
Deferred policy acquisition costs and value of business acquired	64,416	1,066	—	3,239,519
Goodwill	62,671	83	—	108,561
Total assets	$ 917,003	$ 9,585,560	$ 19,662	$ 57,384,672

26. CONSOLIDATED QUARTERLY RESULTS—UNAUDITED

The Company's unaudited consolidated quarterly operating data for the year ended December 31, 2013 and 2012 is presented below. In the opinion of management, all adjustments (consisting only of normal recurring items) necessary for a fair statement of quarterly results have been reflected in the following data. It is also management's opinion, however, that quarterly operating data for insurance enterprises are not necessarily indicative of results that may be expected in succeeding quarters or years. In

order to obtain a more accurate indication of performance, there should be a review of operating results, changes in shareowners' equity, and cash flows for a period of several quarters.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Dollars In Thousands, Except Per Share Amounts)			
2013				
Premiums and policy fees	$ 726,847	$ 756,331	$ 657,218	$ 841,255
Reinsurance ceded	(335,350)	(390,490)	(270,730)	(380,625)
Net of reinsurance ceded	391,497	365,841	386,488	460,630
Net investment income	457,634	466,220	454,275	539,952
Realized investment gains (losses)	(1,344)	29,903	13,137	451
Other income	85,027	94,392	98,794	116,102
Total revenues	932,814	956,356	952,694	1,117,135
Total benefits and expenses	815,187	799,343	810,573	943,523
Income before income tax	117,627	157,013	142,121	173,612
Income tax expense	39,336	53,814	49,060	54,699
Net income	78,291	103,199	93,061	118,913
Less: Net income (loss) attributable to noncontrolling interests	—	—	—	—
Net income available to PLC's common shareowners	$ 78,291	$ 103,199	$ 93,061	$ 118,913
Net income available to PLC's common shareowners —basic	$ 0.99	$ 1.30	$ 1.17	$ 1.50
Average shares outstanding—basic	79,139,392	79,404,770	79,492,274	79,540,583
Net income available to PLC's common shareowners —diluted	$ 0.97	$ 1.27	$ 1.15	$ 1.47
Average shares outstanding—diluted	80,706,744	81,087,238	80,852,078	81,053,787
2012				
Premiums and policy fees	$ 696,305	$ 711,429	$ 684,939	$ 721,605
Reinsurance ceded	(304,558)	(344,673)	(321,059)	(375,546)
Net of reinsurance ceded	391,747	366,756	363,880	346,059
Net investment income	462,121	456,222	467,944	476,045
Realized investment gains (losses)	(12,947)	3,717	(20,223)	(36,878)
Other income	111,260	81,480	81,190	84,633
Total revenues	952,181	908,175	892,791	869,859
Total benefits and expenses	801,602	800,488	801,805	766,140
Income before income tax	150,579	107,687	90,986	103,719
Income tax expense	51,558	31,532	30,506	36,923
Net income	99,021	76,155	60,480	66,796
Less: Net income (loss) attributable to noncontrolling interests	—	—	—	—
Net income available to PLC's common shareowners	$ 99,021	$ 76,155	$ 60,480	$ 66,796
Net income available to PLC's common shareowners —basic	$ 1.20	$ 0.93	$ 0.75	$ 0.84
Average shares outstanding—basic	82,330,330	81,639,756	80,662,745	79,652,495
Net income available to PLC's common shareowners				

—diluted	$ 1.18	$ 0.91	$ 0.73	$ 0.82
Average shares outstanding—diluted	83,921,135	83,243,703	82,406,103	81,339,803

27. SUBSEQUENT EVENTS

The Company has evaluated the effects of events subsequent to December 31, 2013, and through the date we filed our consolidated financial statements with the United States Securities and Exchange Commission. All accounting and disclosure requirements related to subsequent events are included in our consolidated financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareowners of
Protective Life Corporation

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Protective Life Corporation and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedules listed in the accompanying index appearing under Item 15 (2) present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control—Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedules, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in "Management's Report on Internal Controls Over Financial Reporting" appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedules, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in "Management's Report on Internal Controls Over Financial Reporting" appearing under Item 9A, the Company has excluded MONY Life Insurance Company ("MONY") and the internal controls relating to the administrative systems and processes being provided by third parties for the blocks of life and health business reinsured from MONY Life Insurance Company of America ("MLOA Business"), because MONY, a wholly owned subsidiary, and the reinsured MLOA Business, were acquired in a business combination during 2013. We have also excluded MONY and the internal controls relating to the administrative systems and process being provided by third parties for the MLOA Business from our audit of internal control over financial reporting as of December 31, 2013. MONY and the MLOA Business represent revenues, pre-tax income, and total assets of $203.8 million, $27.9 million, and $10.0 billion, respectively, of the related consolidated financial statement amounts as of and for the year then ended December 31, 2013.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP

Birmingham, Alabama
February 28, 2014

SCHEDULE II—CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENTS OF INCOME
PROTECTIVE LIFE CORPORATION
(Parent Company)

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
Revenues			
Dividends from subsidiaries	$ 86,420	$ 257,573	$ 224,179
Service fees from subsidiaries	178,420	160,373	151,934
Net investment income	65,389	63,817	62,644
Realized investment gains (losses)	15,040	(10,596)	(248)
Other income	194	—	—
Total revenues	345,463	471,167	438,509
Expenses			
Operating and administrative	99,400	99,138	82,759
Interest—subordinated debt	33,873	37,598	37,604
Interest—other	90,636	94,974	98,809
Total expenses	223,909	231,710	219,172
Income before income tax and other items below	121,554	239,457	219,337
Income tax (benefit) expense			
Current	(35,250)	8,883	9,722
Deferred	16,936	(4,075)	(10,665)
Total income tax (benefit) expense	(18,314)	4,808	(943)
Income before equity in undistributed income from subsidiaries	139,868	234,649	220,280
Equity in undistributed income of subsidiaries	253,596	67,803	95,357
Net income	$ 393,464	$ 302,452	$ 315,637

See Notes to Consolidated Financial Statements

* Eliminated in Consolidation

SCHEDULE II—CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
PROTECTIVE LIFE CORPORATION
(Parent Company)

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
Net income	$ 393,464	$ 302,452	$ 315,637
Other comprehensive income (loss)	$ (1,242,656)	$ 751,278	$ 677,594
Total other comprehensive income (loss)	$ (849,192)	$ 1,053,730	$ 993,231

See Notes to Consolidated Financial Statements
* Eliminated in Consolidation

SCHEDULE II—CONDENSED FINANCIAL INFORMATION OF REGISTRANT
BALANCE SHEETS
PROTECTIVE LIFE CORPORATION
(Parent Company)

	As of December 31,	
	2013	2012
	(Dollars In Thousands)	
Assets		
Fixed maturities	$ 43,639	$ —
Equity securities	45,263	38,072
Surplus notes from affiliate	800,000	800,000
Investments in subsidiaries (equity method)*	4,982,231	5,818,869
Total investments	5,871,133	6,656,941
Cash	56,845	63,796
Receivables from subsidiaries*	24,930	9,012
Property and equipment, net	1,234	39
Goodwill	10,275	10,275
Deferred income tax	11,693	9,901
Other assets	36,066	35,445
Total assets	$6,012,176	$6,785,409
Liabilities		
Accrued expenses and other liabilities	$ 148,059	$ 185,783
Accrued income taxes	23,730	29,350
Notes to affiliates	—	14,500
Debt	1,585,000	1,400,000
Subordinated debt securities	540,593	540,593
Total liabilities	2,297,382	2,170,226
Commitments and contingencies—Note 3		
Shareowners' equity		
Preferred stock		
Common stock	$ 44,388	$ 44,388
Additional paid-in-capital	606,934	606,369
Treasury stock	(200,416)	(209,840)
Retained earnings, including undistributed income of subsidiaries: (2013—$3,177,910; 2012—$2,924,314)	2,769,822	2,437,544
Accumulated other comprehensive income (loss):		
Net unrealized gains on investments, all from subsidiaries, net of income tax: (2013—$289,908; 2012—$978,656)	538,400	1,817,504
Net unrealized gains (losses) relating to other-than-temporary impaired investments for which a portion has been recognized in earnings, net of income tax; (2013—$325; 2012—$(2,147))	603	(3,988)
Accumulated gain (loss)—derivatives, net of income tax: (2013—$(666); 2012—$(1,883))	(1,235)	(3,496)
Postretirement benefits liability adjustment, net of income tax: (2013—$(23,532); 2012—$(39,468))	(43,702)	(73,298)
Total shareowners' equity	3,714,794	4,615,183
Total liabilities and shareowners' equity(1)	$6,012,176	$6,785,409

(1) Includes noncontrolling interests related to the Company's subs

See Notes to Consolidated Financial Statements

* Eliminated in Consolidation

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SCHEDULE II—CONDENSED FINANCIAL INFORMATION OF REGISTRANT
STATEMENTS OF CASH FLOWS
PROTECTIVE LIFE CORPORATION
(Parent Company)

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
Cash flows from operating activities			
Net income	$ 393,464	$ 302,452	$ 315,637
Adjustments to reconcile net income to net cash provided by operating activities:			
Realized investment (gains) losses	(15,040)	10,596	248
Equity in undistributed net income of subsidiaries *	(253,596)	(67,803)	(95,357)
Depreciation expense	151	303	330
Receivables from subsidiaries *	(15,918)	14,872	(3,514)
Income tax receivable	—	—	8,510
Deferred income taxes	16,936	577	(20,145)
Accrued income taxes	231	15,419	10,836
Accrued expenses and other liabilities	(20,292)	3,957	29,531
Other, net	(20,924)	10,827	10,703
Net cash provided by operating activities	85,012	291,200	256,779
Cash flows from investing activities			
Maturities and principal reductions of investments, available-for-sale	—	6,650	—
Sale of investments, available-for-sale	—	15,086	—
Cost of investments acquired, available-for-sale	(47,477)	(15,018)	—
Purchase of and/or additional investments in subsidiaries *	(152,454)	596	(25,661)
Redemption (purchase) of non-recourse funding obligations	—	—	—
Purchase of property and equipment	(1,346)	—	—
Change in short-term investments, net	—	—	—
Net cash (used in) provided by investing activities	(201,277)	7,314	(25,661)
Cash flows from financing activities			
Borrowings under debt	605,000	572,500	45,000
Principal payments on line of credit arrangements and debt	(420,000)	(676,650)	(26,852)
Repurchase of common stock	—	(106,201)	(82,671)
Payments to affiliates *	(14,500)	(31,500)	(52,424)
Dividends to shareowners	(61,186)	(56,228)	(52,503)
Other financing activities, net	—	—	—
Net cash provided by (used in) financing activities	109,314	(298,079)	(169,450)
Change in cash	(6,951)	435	61,668
Cash at beginning of year	63,796	63,361	1,693
Cash at end of year	$ 56,845	$ 63,796	$ 63,361

See Notes to Consolidated Financial Statements

*Eliminated in Consolidation

SCHEDULE II—CONDENSED FINANCIAL INFORMATION OF REGISTRANT PROTECTIVE LIFE CORPORATION (Parent Company) NOTES TO CONDENSED FINANCIAL INFORMATION

The Company publishes consolidated financial statements that are its primary financial statements. Therefore, this parent company condensed financial information is not intended to be the primary financial statements of the Company, and should be read in conjunction with the consolidated financial statements and notes, including the discussion of significant accounting policies, thereto of Protective Life Corporation and subsidiaries.

1. BASIS OF PRESENTATION

Nature of Operations

Protective Life Corporation ("the Company" or "PLC") is a holding company whose subsidiaries provide financial services through the production, distribution, and administration of insurance and investment products.

The accompanying condensed financial statements of the Company should be read in conjunction with the consolidated financial statements and notes thereto of Protective Life Corporation and subsidiaries included in this Annual Report on Form 10-K filed with the Securities and Exchange Commission.

2. DEBT AND OTHER OBLIGATIONS

Debt and Subordinated Debt Securities

Debt and subordinated debt securities are summarized as follows:

	As of December 31,	
	2013	2012
	(Dollars In Thousands)	
Debt (year of issue):		
Revolving Line Of Credit	$ 485,000	$ 50,000
4.30% Senior Notes (2003), due 2013	—	250,000
4.875% Senior Notes (2004), due 2014	150,000	150,000
6.40% Senior Notes (2007), due 2018	150,000	150,000
7.375% Senior Notes (2009), due 2019	400,000	400,000
8.00% Senior Notes (2009), due 2024, callable 2014	100,000	100,000
8.45% Senior Notes (2009), due 2039	300,000	300,000
	$ 1,585,000	$ 1,400,000
Subordinated debt securities (year of issue):		
6.125% Subordinated Debentures (2004), due 2034, callable 2009	$ 103,093	$ 103,093
6.25% Subordinated Debentures (2012), due 2042, callable 2017	287,500	287,500
6.00% Subordinated Debentures (2012), due 2042, callable 2017	150,000	150,000
	$ 540,593	$ 540,593

During the year ended December 31, 2013, $250.0 million of the Company's Senior Notes matured and were paid in full, along with applicable accrued interest.

The Company's future maturities of debt, excluding notes payable to banks and subordinated debt securities, are $150.0 million in 2014, $150.0 million in 2018, and $800.0 million thereafter.

The Company has access to a Credit Facility that provides the ability to borrow on unsecured basis up to an aggregate principal amount of $750 million. The Company has the right in certain circumstances to request that the commitment under the Credit Facility be increased up to a maximum principal amount of $1.0 billion. Balances outstanding under the Credit Facility accrue interest at a rate equal to, at the option of the Borrowers, (i) LIBOR plus a spread based on the ratings of the Company's senior unsecured long-term debt ("Senior Debt"), or (ii) the sum of (A) a rate equal to the highest of (x) the Administrative Agent's prime rate, (y) 0.50% above the Federal Funds rate, or (z) the one-month LIBOR plus 1.00% and (B) a spread based on the ratings of the Company's Senior Debt. The Credit Facility also provides for a facility fee at a rate that varies with the ratings of the Company's Senior Debt and that is calculated on the aggregate amount of commitments under the Credit Facility, whether used or unused. The maturity date on the Credit Facility is July 17, 2017. There was anoutstanding balance of $485.0 million at an interest rate of LIBOR plus 1.20% under the Credit Facility as of December 31, 2013.

The Company has also accessed capital from subordinated debt securities issued to a wholly owned subsidiary trust of which $103.1 million was outstanding as of December 31, 2013 and 2012. Securities currently outstanding were offered through a trust (PLC Capital Trust V). The trust was formed solely to issue preferred securities ("TOPrS") and use the proceeds thereof to purchase the Company's subordinated debentures. The sole assets of the trust are these subordinated debt securities. The Company irrevocably guarantees the principal obligations of the trust. Under the terms of the subordinated debentures, the Company has the right to extend interest payment periods up to five consecutive years. Consequently, dividends on the preferred securities may be deferred (but will continue to accumulate, together with additional dividends on any accumulated but unpaid dividends at the dividend rate) by the trusts during any such extended interest payment period.

In October 2004, the Company closed on offerings of $150.0 million of 4.875% Senior Notes due in 2014. These senior notes were offered and sold pursuant to the Company's shelf registration statement on Form S-3. Under the terms of the Senior Notes, interest is payable semi-annually on May 1 and November 1 of each year, commencing on May 1, 2005.

In December 2007, the Company issued a new series of debt securities of $150.0 million of 6.40% Senior Notes due 2018 (the "Senior Notes"), from which net proceeds of approximately $148.7 million were received. Under the terms of the Senior Notes, interest on the Senior Notes is payable semi-annually in arrears on January 15 and July 15. The maturity date is January 15, 2018.

On October 9, 2009, the Company closed on offerings of $400 million of its senior notes due in 2019, $100 million of its senior notes due in 2024, and $300 million of its senior notes due in 2039, for an aggregate principal amount of $800 million. These senior notes were offered and sold pursuant to the Company's shelf registration statement on Form S-3. The Company used the net proceeds from the offering of the Notes to purchase $800 million in aggregate principal amount of newly-issued surplus notes of Golden Gate. Golden Gate used a portion of the proceeds from the sale of the surplus notes to the Company to repurchase, at a discount, $800 million in aggregate principal amount of its outstanding Series A floating rate surplus notes that were held by third parties. As a result of these transactions, the Company is the sole holder of the total $800.0 million of outstanding Golden Gate surplus notes, which is eliminated at the consolidated level.

During 2012, the Company issued $287.5 million of its Subordinated Debentures due in 2042. These Subordinated Debentures were offered and sold pursuant to the Company's shelf registration statement on Form S-3. The Company used the net proceeds from the offering to call $103.1 million of Subordinated Debentures due 2031, $118.6 million of Subordinated Debentures due in 2032 and $75.0 million of Capital Securities due in 2066 at par value. The transaction resulted in an expense of $7.2 million, for the year ended December 31, 2012, related the write off of deferred issue costs associated with the called Debentures.

During 2012, the Company issued $150.0 million of its Subordinated Debentures due in 2042. These Subordinated Debentures were offered and sold pursuant to the Company's shelf registration statement on Form S-3. The Company used the net proceeds from the offering to call $125.0 million of Capital Securities due in 2066 at par value and the remaining for general working capital purposes. The transaction resulted in an expense of $4.0 million related to the write off of deferred issue costs associated with the called Debentures.

During the three month period ended June 30, 2013, the Company's 4.30% Senior notes issued in 2003 matured. The maturity resulted in the payment of $250.0 million of principal to the holders of the senior notes on June 3, 2013. The Company borrowed an additional $250.0 million from its Credit Facility to finance the final principal payment.

Interest Expense

Interest expense on long-term debt and subordinated debt securities totaled $124.5 million, $132.6 million, and $136.4 million for the years ended December 31, 2013, 2012, and 2011, respectively. The $8.1 million favorable variance was primarily related to a $6.4 million favorable variance resulting from paydowns of senior notes in 2013 and a $3.7 million favorable variance results from the refinancing of subordinated debt in 2012 at lower rates. These favorable variances were partially offset by increased interest expense on the Company's credit facility of $2.1 million.

3. COMMITMENTS AND CONTINGENCIES

The Company has entered into indemnity agreements with each of its current directors that provide, among other things and subject to certain limitations, a contractual right to indemnification to the fullest extent permissible under the law. The Company has agreements with certain of its officers providing up to $10 million in indemnification. These obligations are in addition to the customary obligation to indemnify officers and directors contained in the Company's governance documents.

The Company leases a building contiguous to its home office. The lease was renewed in December 2013 and was extended to December 2018. At the end of the lease term, the Company may purchase the building for approximately $75 million. Monthly rental payments are based on the current LIBOR rate plus a spread. The following is a schedule by year of future minimum rental payments required under this lease:

Year	Amount (Dollars In Thousands)
2014	$ 1,236
2015	1,236
2016	1,239
2017	1,236
2018	76,211

In connection with the issuance of non-recourse funding obligations by Golden Gate Captive Insurance Company ("Golden Gate"), a wholly owned subsidiary of Protective Life Insurance Company ("PLICO"), PLC's largest subsidiary, the Company has agreed to indemnify Golden Gate for certain costs and obligations (which obligations do not include payment of principal and interest on the notes). In addition, the Company has entered into certain support agreements with Golden Gate obligating the Company to make capital contributions to Golden Gate or provide support related to certain of Golden Gate's expenses and in certain circumstances, to collateralize certain of the Company's obligations to Golden Gate.

Golden Gate II Captive Insurance Company ("Golden Gate II"), a special purpose financial captive insurance company wholly owned by PLICO, had $575 million of outstanding non-recourse funding obligations as of December 31, 2013. These outstanding non-recourse funding obligations were issued to special purpose trusts, which in turn issued securities to third parties. Certain of our affiliates own a portion of these securities. As of December 31, 2013, securities related to $194.9 million of the outstanding balance of the non-recourse funding obligations were held by external parties and securities related to $380.1 million of the non-recourse funding obligations were held by the Company and our affiliates. The Company has entered into certain support agreements with Golden Gate II obligating the Company to make capital contributions or provide support related to certain of Golden Gate II's expenses and in certain circumstances, to collateralize certain of the Company's obligations to Golden Gate II. These support agreements provide that amounts would become payable by the Company to Golden Gate II if its annual general corporate expenses were higher than modeled amounts or if Golden Gate II's investment income on certain investments or premium income was below certain actuarially determined amounts. In addition, at the time Golden Gate II sold surplus notes for deposits into certain Delaware Trusts (the "Trusts") which in turn issued securities (the "Securities"), the Company agreed, under certain circumstances, to make certain liquidity advances to the Trusts not in excess of specified amounts of assets held in a reinsurance trust of which PLICO is the beneficiary and Golden Gate II is the grantor in the event that the Trusts do not have sufficient funds available to fully redeem the Securities at the stated maturity date. The obligation to make any such liquidity advance is subject to it having a first priority security interest in the residual interest in such reinsurance trust and in the surplus notes. As of December 31, 2013, no payments have been made under these agreements.

Golden Gate III Vermont Captive Insurance Company ("Golden Gate III"), a Vermont special purpose financial captive insurance company and wholly owned subsidiary of PLICO, is party to a Reimbursement Agreement (the "Reimbursement Agreement") with UBS AG, Stamford Branch ("UBS"), as issuing lender. Under the original Reimbursement Agreement, dated April 23, 2010, UBS issued a letter of credit (the "LOC") in the initial amount of $505 million to a trust for the benefit of West Coast Life Insurance Company ("WCL"). The Reimbursement Agreement was subsequently amended and restated effective November 21, 2011 (the "First Amended and Restated Reimbursement Agreement"), to replace the existing LOC with one or more letters of credit from UBS, and to extend the maturity date from April 1, 2018, to April 1, 2022. On August 7, 2013, the Company entered into a Second Amended and Restated Reimbursement Agreement with UBS (the "Second Amended and Restated Reimbursement Agreement"), which amended and restated the First Amended and Restated Reimbursement Agreement. Under the Second and Amended and Restated Reimbursement Agreement a new LOC in an initial amount of $710 million was issued by UBS in replacement of the existing LOC issued under the First Amended and Restated Reimbursement Agreement. The term of the LOC was extended from April 1, 2022 to October 1, 2023, subject to certain conditions being satisfied including scheduled capital contributions being made to Golden Gate III by one of its affiliates. The maximum stated amount of the LOC was increased from $610 million to $720 million in 2015 if certain conditions are met. The LOC is held in trust for the benefit of WCL, and supports certain obligations of Golden Gate III to WCL under an indemnity reinsurance agreement originally effective April 1, 2010, as amended and restated on November 21, 2011, and as furtheramended and restated on August 7, 2013 to include an additional block of policies, and pursuant to which WCL cedes liabilities relating to the policies of WCL and retrocedes liabilities relating to the policies of PLICO. The LOC balance was $715 million as of December 31, 2013. Subject to certain conditions, the amount of the LOC will be periodically increased up to a maximum of $720 million in 2015. The term of the LOC is expected to be approximately 13.5 years from the original issuance date. This transaction is "non-recourse" to WCL, PLICO, and the Company, meaning that none of these companies other than Golden Gate III are liable for reimbursement on a draw of the LOC. The Company has entered into certain support agreements with Golden Gate III obligating the Company to make capital contributions or provide support related to certain of Golden Gate III's expenses and in certain circumstances, to collateralize certain of the Company's obligations to Golden Gate III. Future scheduled capital contributions amount to approximately $149.8 million and will be paid in three installments with the last payment occurring in 2019, and these contributions may be subject to potential offset against dividend payments as permitted under the terms of the Second Amended and Restated Reimbursement Agreement. The support agreements provide that amounts would become payable by the Company to Golden Gate III if its annual general corporate expenses were higher than modeled amounts or if specified catastrophic losses occur during defined time periods with respect to the policies reinsured by Golden Gate III. Pursuant to the terms of an amended and restated letter agreement with UBS, the Company has continued to guarantee the payment of fees to UBS as specified in the Second and Amended and Restated Agreement. As of December 31, 2013, no payments have been made under these agreements.

Golden Gate IV Vermont Captive Insurance Company ("Golden Gate IV"), a Vermont special purpose financial captive insurance company and wholly owned subsidiary of PLICO, is party to a Reimbursement Agreement with UBS AG, Stamford Branch, as issuing lender. Under the Reimbursement Agreement, dated December 10, 2010, UBS issued an LOC in the initial amount of $270 million to a trust for the benefit of WCL. The LOC balance has increased, in accordance with the terms of the Reimbursement Agreement, during each quarter of 2013 and was $700 million as of December 31, 2013. Subject to certain conditions, the amount of the LOC will be periodically increased up to a maximum of $790 million in 2016. The term of the LOC is expected to be 12 years from the original issuance date (stated maturity of December 30, 2022). The LOC was issued to support certain obligations of Golden Gate IV to WCL under an indemnity reinsurance agreement, pursuant to which WCL cedes liabilities relating to the policies of WCL and retrocedes liabilities relating to the policies of PLICO. This transaction is "non-recourse" to WCL, PLICO, and the Company, meaning that none of these companies other than Golden Gate IV are liable for reimbursement on a draw of the LOC. The Company has entered into certain support agreements with Golden Gate IV obligating the Company to make capital contributions or provide support related to certain of Golden Gate IV's expenses and in certain circumstances, to collateralize certain of the Company's obligations to Golden Gate IV. The support agreements provide that amounts would become payable by the Company to Golden Gate IV if its annual general corporate expenses were higher than modeled amounts or if specified catastrophic losses occur during defined time periods with respect to the policies reinsured by Golden Gate IV. The Company has also entered into a separate agreement to guarantee the payments of LOC fees under the terms of the Reimbursement Agreement. As of December 31, 2013, no payments have been made under these agreements.

On October 10, 2012, Golden Gate V and Red Mountain, indirect wholly owned subsidiaries of the Company, entered into a 20-year transaction to finance up to $945 million of "AXXX" reserves related to a block of universal life insurance policies with secondary guarantees issued by our direct wholly owned subsidiary PLICO and indirect wholly owned subsidiary, WCL. Golden Gate V issued non-recourse funding obligations to Red Mountain, and Red Mountain issued a note with an initial principal amount of $275 million, increasing to a maximum of $945 million in 2027, to Golden Gate V for deposit to a reinsurance trust supporting Golden Gate V's obligations under a reinsurance agreement with WCL, pursuant to which WCL cedes liabilities relating to the policies of WCL and retrocedes liabilities relating to the policies of PLICO. Through the structure, Hannover Life Reassurance Company of America ("Hannover Re"), the ultimate risk taker in the transaction, provides credit enhancement to the Red Mountain note for the 20-year term in exchange for a fee. The transaction is "non-recourse" to Golden Gate V, Red Mountain, WCL, PLICO and the Company, meaning that none of these companies are liable for the reimbursement of any credit enhancement payments required to be made. As of December 31, 2013, the principal balance of the Red Mountain note was $365 million. In connection with the transaction, the Company has entered into certain support agreements under which it guarantees or otherwise supports certain obligations of Golden Gate V or Red Mountain. Future scheduled capital contributions to prefund credit enhancement fees amount to approximately $144.3 million and will be paid in annual installments through 2031. The support agreements provide that amounts would become payable by the Company if Golden Gate V's annual general corporate expenses were higher than modeled amounts or in the event write-downs due to other-than-temporary impairments on assets held in certain accounts exceed defined threshold levels. Additionally, the Company has entered into separate agreements to indemnify Golden Gate V with respect to material adverse changes in non-guaranteed elements of insurance policies reinsured by Golden Gate V, and to guarantee payment of certain fee amounts in connection with the credit enhancement of the Red Mountain note. As of December 31, 2013, no payments have been made under these agreements.

During 2012, the Company entered into an intercompany capital support agreement with Shades Creek Captive Insurance Company ("Shades Creek"), a direct wholly owned insurance subsidiary. The agreement provides through a guarantee that the Company will contribute assets or purchase surplus notes (or cause an affiliate or third party to contribute assets or purchase surplus notes) in amounts necessary for Shades Creek's regulatory capital levels to equal or exceed minimum thresholds as defined by the agreement. As of December 31, 2013, Shades Creek maintained capital levels in excess of the required minimum thresholds. The maximum potential future payment amount which could be required under the capital support agreement will be dependent on numerous factors, including the performance of equity markets, the level of interest rates, performance of associated hedges, and related policyholder behavior.

4. SHAREOWNERS' EQUITY

Activity in the Company's issued and outstanding common stock is summarized as follows:

	Issued Shares	Treasury Shares	Outstanding Shares
Balance, December 31, 2010	88,776,960	3,108,983	85,667,977
(Reissuance of)/deposits to treasury stock	—	3,998,782	(3,998,782)
Balance, December 31, 2011	88,776,960	7,107,765	81,669,195
(Reissuance of)/deposits to treasury stock	—	3,531,702	(3,531,702)
Balance, December 31, 2012	88,776,960	10,639,467	78,137,493
(Reissuance of)/deposits to treasury stock	—	(439,953)	439,953
Balance, December 31, 2013	88,776,960	10,199,514	78,577,446

Shareowners have authorized 4,000,000 shares of Preferred Stock, $1.00 par value. Other terms, including preferences, voting, and conversion rights, may be established by the Board of Directors. None of these shares have been issued as of December 31, 2013.

5. SUPPLEMENTAL CASH FLOW INFORMATION

	For The Year Ended December 31,		
	2013	2012	2011
	(Dollars In Thousands)		
Cash paid during the year for:			
Interest paid on debt	$ 125,685	$ 131,473	$ 136,590
Income taxes (reduced by amounts received from affiliates under a tax sharing agreement)	(33,623)	(30,110)	(8,882)
Noncash investing and financing activities:			
Stock-based compensation	10,739	12,280	12,517

6. DERIVATIVE FINANCIAL INSTRUMENTS

In connection with the issuance of non-recourse funding obligations by Golden Gate II the Company has entered into certain support agreements with Golden Gate II obligating it to provide support payments to Golden Gate II under certain adverse interest rate conditions and to the extent of any reduction in the reinsurance premiums received by Golden Gate II due to an increase in the premium rates charged to PLICO under its third party yearly renewable term reinsurance agreements. Each of these agreements expires on July 10, 2052.

For the year ended 2013, in connection with the Golden Gate V financing transaction, the Company entered into separate Portfolio Maintenance Agreements with Golden Gate V and WCL. The agreements obligate the Company to reimburse Golden Gate V and West Coast Life for other-than-temporary impairment losses on certain asset portfolios above a specified amount. Each of these agreements expires on October 10, 2032.

As of December 31, 2013 and 2012, the Company included in its balance sheets a combined liability for these agreements of $2.0 million and $17.1 million, respectively. During the years ended December 31, 2013 and 2012, the Company included in its statements of income unrealized gains of $15.1 million and unrealized losses of $10.7 million, respectively.

SCHEDULE III SUPPLEMENTARY INSURANCE INFORMATION
PROTECTIVE LIFE CORPORATION AND SUBSIDIARIES

Segment	Deferred Policy Acquisition Costs and Value of Businesses Acquired	Future Policy Benefits and Claims	Unearned Premiums	Stable Value Products, Annuity Contracts and Other Policyholders' Funds	Net Premiums and Policy Fees	Net Investment Income(1)	Benefits and Settlement Expenses	Amortization of Deferred Policy Acquisitions Costs and Value of Businesses Acquired	Other Operating Expenses(1)	Premiums Written(2)
	(Dollars In Thousands)									
For The Year Ended December 31, 2013:										
Life Marketing	$ 2,071,470	$ 13,504,869	$ 812,929	$ 311,290	$ 796,109	$ 521,665	$ 1,143,132	$ 25,774	$ 163,174	$ 173
Acquisitions	813,239	15,121,574	4,680	4,734,487	519,477	617,298	851,386	72,762	78,244	24,781
Annuities	647,485	1,037,348	102,734	7,228,119	132,317	468,322	319,420	62,834	112,620	—
Stable Value Products	1,001	—	—	2,559,552	—	123,798	41,793	398	1,805	—
Asset Protection	50,358	49,729	628,176	1,556	138,404	23,179	101,696	30,505	119,321	130,225
Corporate and Other	646	67,805	1,296	64,181	18,149	163,819	22,330	625	220,807	18,141
Total	$ 3,584,199	$ 29,781,325	$ 1,549,815	$ 14,899,185	$ 1,604,456	$ 1,918,081	$ 2,479,757	$ 192,898	$ 695,971	$ 173,320
For The Year Ended December 31, 2012:										
Life Marketing	$ 2,001,708	$ 12,733,602	$ 698,862	$ 277,919	$ 743,361	$ 486,463	$ 1,054,645	$ 45,079	$ 142,177	$ 161
Acquisitions	679,746	7,666,423	8,367	3,514,838	459,835	550,334	716,893	77,251	51,714	29,874
Annuities	491,184	1,102,577	103,316	7,372,470	97,902	504,345	369,622	45,319	101,247	—
Stable Value Products	1,399	—	—	2,510,559	—	128,239	64,790	947	2,174	—
Asset Protection	64,416	51,600	583,920	1,790	147,805	24,310	100,697	33,951	132,195	139,076
Corporate and Other	1,066	72,184	1,561	58,431	19,539	168,641	19,393	1,018	210,923	19,456
Total	$ 3,239,519	$ 21,626,386	$ 1,396,026	$ 13,736,007	$ 1,468,442	$ 1,862,332	$ 2,326,040	$ 203,565	$ 640,430	$ 188,567
For The Year Ended December 31, 2011:										
Life Marketing	$ 1,912,916	$ 11,755,841	$ 589,027	$ 274,870	$ 744,819	$ 446,175	$ 978,098	$ 87,461	$ 139,619	$ 196
Acquisitions	824,277	7,804,207	6,792	3,669,366	414,823	529,261	662,293	75,041	55,792	22,386
Annuities	435,462	1,175,690	103,314	7,497,370	68,319	507,230	390,788	57,201	85,307	—
Stable Value Products	2,347	—	—	2,769,510	—	145,150	81,256	4,556	2,557	—
Asset Protection	71,427	54,249	557,801	1,645	156,143	26,501	99,510	38,080	114,029	146,632
Corporate and Other	1,612	78,002	1,851	50,113	21,361	166,326	21,528	2,654	199,896	21,107
Total	$ 3,248,041	$ 20,867,989	$ 1,258,785	$ 14,262,874	$ 1,405,465	$ 1,820,643	$ 2,233,473	$ 264,993	$ 597,200	$ 190,321

(1) Allocations of Net Investment Income and Other Operating Expenses are based on a number of assumptions and estimates and results would change if different methods were applied.

(2) Excludes Life Insurance

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SCHEDULE IV—REINSURANCE
PROTECTIVE LIFE CORPORATION AND SUBSIDIARIES

	Gross Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of Amount Assumed to Net
	(Dollars In Thousands)				
For The Year Ended December 31, 2013:					
Life insurance in-force	$726,697,151	$416,809,287	$46,752,176	$356,640,040	13.1%
Premiums and policy fees:					
Life insurance	2,371,872	1,247,657	306,920	1,431,135(1)	21.5
Accident/health insurance	45,263	20,011	24,291	49,543	49.0
Property and liability insurance	225,327	109,528	7,978	123,777	6.5
Total	$ 2,642,462	$ 1,377,196	$ 339,189	$ 1,604,455	
For The Year Ended December 31, 2012:					
Life insurance in-force	$706,415,969	$444,950,866	$30,470,432	$291,935,535	10.4%
Premiums and policy fees:					
Life insurance	2,226,615	1,228,444	281,712	1,279,883(1)	22.0
Accident/health insurance	38,875	12,065	29,412	56,222	52.3
Property and liability insurance	230,899	105,327	6,765	132,337	5.1
Total	$ 2,496,389	$ 1,345,836	$ 317,889	$ 1,468,442	
For The Year Ended December 31, 2011:					
Life insurance in-force	$728,670,260	$469,530,487	$32,812,882	$291,952,655	11.2%
Premiums and policy fees:					
Life insurance	2,245,320	1,278,232	248,468	1,215,556(1)	20.4
Accident/health insurance	43,200	14,456	21,719	50,463	43.0
Property and liability insurance	235,160	101,987	6,273	139,446	4.5
Total	$ 2,523,680	$ 1,394,675	$ 276,460	$ 1,405,465	

Total	$ 2,525,680	$ 1,394,675	$ 276,460	$ 1,405,465

(1) Includes annuity policy fees of $140.7 million, $103.8 million, and $74.9 million for the years ended December 31, 2013, 2012, and 2011, respectively.

SCHEDULE V—VALUATION AND QUALIFYING ACCOUNTS
PROTECTIVE LIFE CORPORATION AND SUBSIDIARIES

Description	Balance at beginning of period	Additions: Charged to costs and expenses	Additions: Charges to other accounts	Deductions	Balance at end of period
	(Dollars In Thousands)				
2013					
Allowance for losses on commercial mortgage loans	$ 2,875	$ 7,093	$ —	$ (6,838)	$ 3,130
2012					
Allowance for losses on commercial mortgage loans	$ 6,475	$ 6,240	$ —	$ (9,840)	$ 2,875
2011					
Allowance for losses on commercial mortgage loans	$ 11,650	$ 11,103	$ —	$ (16,278)	$ 6,475

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

(a) Disclosure Controls and Procedures

In order to ensure that the information the Company must disclose in its filings with the Securities and Exchange Commission is recorded, processed, summarized, and reported on a timely basis, the Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")), except as otherwise noted below. Based on their evaluation as of the end of the period covered by this Form 10-K, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective. It should be noted that any system of controls, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of any control system is based in part upon certain judgments, including the costs and benefits of controls and the likelihood of future events. Because of these and other inherent limitations of control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within the Company have been detected.

(b) Management's Report on Internal Controls Over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. The Company's internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;

- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and

- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in *Internal Control—Integrated Framework* (1992).

In conducting our evaluation of the effectiveness of internal control over financial reporting as of December 31, 2013, we have excluded MONY Life Insurance Company ("MONY") and the internal controls relating to the administrative systems and processes being provided by third parties for the blocks of life and health business reinsured from MONY Life Insurance Company of America ("MLOA Business"), because MONY, a wholly owned subsidiary, and the reinsured MLOA Business, were acquired in a business combination in 2013. MONY and the MLOA Business represent revenues, pre-tax income, and total assets of $203.8 million, $27.9 million, and $10.0 billion, respectively, of the related consolidated financial statement amounts as of and for the year then ended December 31, 2013.

Based on the Company's assessment of internal control over financial reporting, management has concluded that, as of December 31, 2013, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2013, has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report included in Item 8.

February 28, 2014

(c) Changes in Internal Control Over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the period ended December 31, 2013, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company's internal controls exist within a dynamic environment and the Company continually strives to improve its internal controls and procedures to enhance the quality of its financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers and Corporate Governance

The information regarding Executive Officers called for by this item is included in Item 1.

Audit Committee Financial Expert

The Board has determined that the Company has at least one "audit committee financial expert," as defined under applicable United States Securities and Exchange Commission (the "SEC") rules and regulations, and has determined that Ms. Wilson is an audit committee financial expert. While Ms. Wilson possesses the attributes of an "audit committee financial expert," as defined under applicable SEC rules and regulations, she is not and never has been an accountant or an auditor, and this financial expert designation does not impose any duties, obligations or liabilities that are greater than the duties, obligations and liabilities imposed by being a member of the Audit Committee or the Board. The Board has also determined that Ms. Wilson is "independent" as defined under the listing standards of the New York Stock Exchange and the independence standards for audit committee members in the Securities Exchange Act of 1934 and rules thereunder.

The remaining information called for by this item is incorporated by reference to "Election of Directors", "Section 16(a) Beneficial Ownership Reporting Compliance", "Corporate Governance and our Board of Directors", "Audit Committee" and "Board Composition, Nominations and Qualifications" in the Company's definitive proxy statement for the Annual Meeting of Shareowners to be held May 12, 2014.

Item 11. Executive Compensation

The information called for by this Item is incorporated by reference to "Executive Compensation" and "Compensation Committee Interlocks and Insider Participation" in the Company's definitive proxy statement for the Annual Meeting of Shareowners to be held May 12, 2014.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information called for by this Item is incorporated by reference to "Beneficial Ownership" in the Company's definitive proxy statement for the Annual Meeting of Shareowners to be held May 12, 2014.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information called for by this Item is incorporated herein by reference to "Director Independence" and "Related Party Transactions" in the Company's definitive proxy statement for the Annual Meeting of Shareowners to be held May 12, 2014.

Item 14. Principal Accountant Fees and Services

The information called for by this Item is incorporated herein by reference to "Independent Accountant Fees and Services" in the Company's definitive proxy statement for the Annual Meeting of Shareowners to be held May 12, 2014.

PART IV

Item 15. Exhibits and Financial Statement Schedules

The following documents are filed as part of this report:

1. Financial Statements (See Item 8, *Financial Statements and Supplementary Data*)

2. Financial Statement Schedules:

   The following schedules are located in this report on the pages indicated. All other schedules to the consolidated financial statements required by Article 7 of Regulation S-X are not required under the related instructions or are inapplicable and therefore have been omitted.

   The Report of Independent Registered Public Accounting Firm which covers the financial statement schedules appears on pages 227 and 228 of this report.

3. Exhibits:

   For a list of exhibits, refer to the "Exhibit Index" filed as part of this report beginning on the following page and incorporated herein by this reference.

   The exhibits to this report are included to provide you with information regarding the terms thereof and are not intended to provide any other factual or disclosure information about the Company or the other parties thereto or referenced therein. Such documents may contain representations and warranties by the parties to such documents that have been made solely for the benefit of the parties specified therein. These representations and warranties (i) should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate, (ii) may have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable document, which disclosures are not necessarily reflected in the documents, (iii) may apply standards of materiality in a way that is different from what may be viewed as material to investors, and (iv) were made only as of the date or dates specified in the documents and are subject to more recent developments. Accordingly, the representations and warranties contained in the documents included as exhibits may not describe the actual state of affairs as of the date they were made or at any other time.

EXHIBIT INDEX

Exhibit Number	
*2	Master Agreement by and among AXA Equitable Financial Services, LLC, AXA Financial, Inc. and Protective Life Insurance Company, dated as of April 10, 2013, filed as Exhibit 2(b) to the Company's Quarterly Report on Form 10-Q filed August 2, 2013 (No. 001-11339).
*3(a)	1998 Restated Certificate of Incorporation of the Company filed with the Secretary of State of Delaware on November 12, 1998, filed as Exhibit 3(a) to the Company's Annual Report on Form 10-K/A for the year ended December 31, 1998 filed March 31, 1999 (No. 001-12332).
*3(b)	2013 Amended and Restated Bylaws of the Company, as adopted February 25, 2013, filed as Exhibit 3.2 to the Company's Current Report on Form 8-K filed February 27, 2013 (No. 001-11339).
*4(a)	Reference is made to Exhibit 3(a) above (No. 001-12332).
*4(b)	Reference is made to Exhibit 3(b) above (No. 001-11339).
*4(c)	Certificate of Trust of PLC Capital Trust V, filed as Exhibit 4(cc) to the Company's Registration Statement on Form S-3 filed May 5, 2003 (No. 333-105003).
*4(d)	Declaration of Trust of PLC Capital Trust V, filed as Exhibit 4 (ee) to the Company's Registration Statement on Form S-3 filed May 5, 2003 (No. 333-105003).
*4(e)	Amended and Restated Declaration of Trust of PLC Capital Trust V filed as Exhibit 4.2 to the Company's Current Report on Form 8-K filed January 28, 2004 (No. 001-11339).
*4(f)	Form of Preferred Security Certificate for PLC Capital Trust V, filed as Exhibit A-1 of Exhibit 4.2 to the. Company's Current Report on Form 8-K filed January 28, 2004 (No. 001-11339).
*4(g)	Preferred Securities Guarantee Agreement, dated January 27, 2004 with respect to Preferred Securities issued by PLC Capital Trust V, filed as Exhibit 4.4 to the Company's Current Report on Form 8-K filed January 28, 2004 (No. 001-11339).
*10(a)†	The Company's Long-Term Incentive Plan, Amended and Restated as of May 14, 2012, filed as Appendix B to the Company's 2012 Proxy Statement on Schedule 14A filed April 16, 2012 (No. 001-11339).
*10(a)(1)†	Form of Performance Share Award Letter under the Company's Long-Term Incentive Plan, filed as Exhibit 10(a)(1) to the Company's Annual Report on Form 10-K for the year ended December 31, 2011 filed February 28, 2012 (No. 001-11339).
*10(a)(2)†	Form of Stock Appreciation Rights Award Letter under the Company's Long-Term Incentive Plan, filed as Exhibit 10(b) to the Company's Quarterly Report on Form 10-Q filed November 9, 2004 (No. 001-11339).
*10(a)(3)†	Form of Restricted Stock Units Award Letter under the Company's Long-Term Incentive Plan, filed as Exhibit 10(b) to the Company's Annual Report on Form 10-K for the year ended December 31, 2012 filed February 28, 2013 (No. 001-11339).
*10(b)†	The Company's Annual Incentive Plan, Amended and Restated as of January 1, 2012, filed as Appendix A to the Company's 2012 Proxy Statement on Schedule 14A filed April 16, 2012 (No. 001-11339).

Exhibit Number	
*10(c)†	The Company's Excess Benefit Plan, Amended and Restated as of December 31, 2008 and Reflecting the Terms of the December 31, 2010 Amendment, filed as Exhibit 10(c) to the Company's Annual Report on Form 10-K for the year ended December 31, 2012 filed February 28, 2013 (No. 001-11339).
*10(d)†	Form of Indemnity Agreement for Officers filed as Exhibit 10(d)(1) to the Company's Annual Report on Form 10-K for the year ended December 31, 1996, filed March 27, 1997(No. 001-12332).
*10(d)(1)†	Form of the Company's Director Indemnity Agreement, filed as Exhibit 10(c) to the Company's Quarterly Report on Form 10-Q filed August 5, 2010 (No. 001-11339).
*10(e)†	Form of the Company's Amended and Restated Employment Continuation Agreement with Executive Officer, filed as Exhibit 10(e)(3) to the Company's Annual Report on Form 10-K for the year ended December 31, 2008 filed February 27, 2009 (No. 001-11339).
*10(e)(1)†	Form of the Company's Amended and Restated Employment Continuation Agreement with Senior Officer, filed as Exhibit 10(e)(4) to the Company's Annual Report on Form 10-K for the year ended December 31, 2008 filed February 27, 2009 (No. 001-11339).
*10(e)(2)†	Form of the Company's Amended and Restated Employment Continuation Agreement with Key Officer, filed as Exhibit 10(e)(5) to the Company's Annual Report on Form 10-K for the year ended December 31, 2008 filed February 27, 2009 (No. 001-11339).
*10(f)†	The Company's Deferred Compensation Plan for Directors Who Are Not Employees of the Company, as Amended and Restated as of December 31, 2008, filed as Exhibit 10(f)(2) to the Company's Annual Report on Form 10-K for the year ended December 31, 2008, filed February 27, 2009 (No. 001-11339).
*10(g)†	The Company's Deferred Compensation Plan for Officers, as Amended and Restated as of January 1, 2009, and reflecting the December 31, 2010 Amendment, filed as Exhibit 10(g) to the Company's Annual Report on Form 10-K for the year ended December 31, 2012, filed February 28, 2013 (No. 001-11339).
*10(h)†	Stock Plan for Non-Employee Directors of the Company, as Amended and Restated as of May 13, 2013, filed as Exhibit 10(h) to the Company's Quarterly Report on Form 10-Q filed August 2, 2013 (No. 001-11339).
*10(i)	Credit Agreement dated as of July 17, 2012, among Protective Life Corporation and Protective Life Insurance Company, as borrowers, the several lenders from time to time a party thereto, Regions Bank, as Administrative Agent, and Wells Fargo, National Association, as Syndication Agent, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed July 23, 2012 (No. 001-11339).
10(j)	Second Amended and Restated Lease Agreement dated as of December 31, 2013, between Protective Life Insurance Company and Wachovia Development Corporation, filed herewith.
10(k)	Second Amended and Restated Investment and Participation Agreement dated as of December 19, 2013, between Protective Life Insurance Company and Wachovia Development Corporation, filed herewith.
10(l)	Second Amended and Restated Guaranty dated December 19, 2013 by the Company in favor of Wachovia Development Corporation, filed herewith.

Exhibit Number	
*10(m)	Amended and Clarification of the Tax Allocation Agreement dated January 1, 1988 by and among Protective Life Corporation and its subsidiaries, filed as Exhibit 10(h) to Protective Life Insurance Company's Annual Report on Form 10-K for the year ended December 31, 2004, filed March 31, 2005 (No. 001-131901).
*10(n)	Common Stock Offering of 17,525,000 common shares at $9.00 per share, Purchase Agreement filed as Exhibit 1.1 to the Company's Current Report on Form 8-K filed May 19, 2009 (No. 001-11339).
*10(o)	Second Amended and Restated Reimbursement Agreement dated as of August 7, 2013 between Golden Gate III Vermont Captive Insurance Company and USB AG, Stamford Branch, filed as Exhibit 10(p) to the Company's Quarterly Report on Form 10-Q filed November 4, 2013 (No. 001-11339).±
*10(p)	Amended and Restated Guarantee Agreement dated as of August 7, 2013 between the Company and UBS AG, Stamford Branch, filed as Exhibit 10(q) to the Company's Quarterly Report on Form 10-Q filed November 4, 2013 (No. 001-11339).
*10(q)	Stock Purchase Agreement by and among RBC Insurance Holdings (USA) Inc., Athene Holding Ltd., Protective Life Insurance Company and RBC USA Holdco Corporation (solely for purposes of Sections 5.14-5.17 andArticles 7.8 and 10), dated as of October 22, 2010, filed as Exhibit 10.01 to the Company's Current Report on Form 8-K filed October 28, 2010 (No. 001-11339).
*10(r)	Reimbursement Agreement dated as of December 10, 2010 between Golden Gate IV Vermont Captive Insurance Company and UBS AG, Stamford Branch filed as Exhibit 10(u) to the Company's Annual Report on Form 10-K for the year ended December 31, 2010 filed February 28, 2011 (No. 001-11339).±
*10(s)	Letter of Guaranty, dated as of December 10, 2010, between Protective Life Corporation and UBS AG, Stamford Branch, filed as Exhibit 10(v) to the Company's Annual Report on Form 10-K for the year ended December 31, 2010 filed February 28, 2011 (No.001-11339).±
*10(t)	Coinsurance Agreement by and between Liberty Life Insurance Company and Protective Life Insurance Company, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed August 5, 2011 (No. 001-11339).
12	Consolidated Earnings Ratio
14	Code of Business Conduct for the Company and all of its subsidiaries, revised May 22, 2013, filed herewith.
14(a)	Supplemental Policy on Conflict of Interest for the Company and all of its subsidiaries, revised August 30, 2010, filed herewith.
21	Principal Subsidiaries of the Registrant
23	Consent of PricewaterhouseCoopers LLP.
24	Powers of Attorney.
31(a)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31(b)	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32(a)	Certification Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Exhibit Number	
32(b)	Certification Pursuant to 18 U.S.C Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Financial statements from the annual report on Form 10-K of Protective Life Corporation for the year ended December 31, 2013, filed on February 28, 2014, formatted in XBRL: (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income (Loss), (iii), the Consolidated Balance Sheets, (iv) Consolidated Statements of Shareowners' Equity, (v) the Consolidated Statement of Cash Flows, and (vi) the Notes to Consolidated Financial Statements.

* Incorporated by Reference

† Management contract or compensatory plan or arrangement

± Certain portions of this Exhibit have been omitted pursuant to a request for confidential treatment. The non-public information has been filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 under the Securities Exchange Act of 1934, as amended

The Company hereby agrees to furnish a copy of any instrument that defines the rights of holders of long-term debt to the Securities and Exchange Commission, upon request.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PROTECTIVE LIFE CORPORATION

By: /s/ STEVEN G. WALKER

Steven G. Walker
Senior Vice President, Controller
and Chief Accounting Officer
February 28, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Signature	Capacity in Which Signed	Date
/s/ JOHN D. JOHNS JOHN D. JOHNS	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer) and Director	February 28, 2014
/s/ RICHARD J. BIELEN RICH BIELEN	Vice Chairman and Chief Financial Officer (Principal Executive Officer)	February 28, 2014
/s/ STEVEN G. WALKER STEVEN G. WALKER	Senior Vice President, Controller, and Chief Accounting Officer (Principal Executive Officer)	February 28, 2014
* ROBERT O. BURTON	Director	February 28, 2014
* ELAINE L. CHAO	Director	February 28, 2014
* THOMAS L. HAMBY	Director	February 28, 2014
* VANESSA LEONARD	Director	February 28, 2014
* CHARLES D. MCCRARY	Director	February 28, 2014

Signature	Capacity in Which Signed	Date
*		
JOHN J. MCMAHON, JR.	Director	February 28, 2014
*		
HANS H. MILLER	Director	February 28, 2014
*		
MALCOLM PORTERA	Director	February 28, 2014
*		
C. DOWD RITTER	Director	February 28, 2014
*		
JESSE J. SPIKES	Director	February 28, 2014
*		
WILLIAM A. TERRY	Director	February 28, 2014
*		
W. MICHAEL WARREN, JR.	Director	February 28, 2014
*		
VANESSA WILSON	Director	February 28, 2014

* John D. Johns, by signing his name hereto, does sign this document on behalf of each of the persons indicated above pursuant to powers of attorney duly executed by such persons and filed with the Securities and Exchange Commission.

By: /s/ JOHN D. JOHNS

JOHN D. JOHNS
Attorney-in-fact

Exhibit 10(j)

THIS DOCUMENT WAS PREPARED BY
AND IS TO BE RETURNED TO:

Susan C. Cox, Esq.
Jones Day
2727 N. Harwood Street
Dallas, TX 75201

SECOND AMENDED AND RESTATED LEASE AGREEMENT

Dated as of December 19, 2013

between

Wachovia Development Corporation,
as the Lessor,

and

Protective Life Insurance Company,
as the Lessee

THIS SECOND AMENDED AND RESTATED LEASE AGREEMENT AMENDS AND RESTATES THAT CERTAIN AMENDED AND RESTATED LEASE AGREEMENT DATED AS OF JANUARY 11, 2007, RECORDED IN LR 200701, PAGE 18463 IN THE PROBATE OFFICE OF JEFFERSON COUNTY, ALABAMA, WHICH AMENDED AND RESTATED THAT CERTAIN LEASE AGREEMENT DATED AS OF FEBRUARY 1, 2000, RECORDED AS INSTRUMENT NO. 200002/0944, IN THE PROBATE OFFICE OF JEFFERSON COUNTY, ALABAMA, AS PREVIOUSLY AMENDED. THIS SECOND AMENDED AND RESTATED LEASE AGREEMENT IS ALSO A MORTGAGE AND SECURITY AGREEMENT BETWEEN THE LESSEE, PROTECTIVE LIFE INSURANCE COMPANY, AS MORTGAGOR AND DEBTOR, AND THE LESSOR, WACHOVIA DEVELOPMENT CORPORATION, AS MORTGAGEE AND SECURED PARTY, SECURING INDEBTEDNESS IN THE PRINCIPAL AMOUNT OF $75,000,000. THE COLLATERAL SUBJECT TO THE SECURITY INTEREST INCLUDES PERSONAL PROPERTY THAT IS, OR MAY BECOME, FIXTURES ATTACHED TO THE REAL PROPERTY DESCRIBED IN THIS SECOND AMENDED AND RESTATED LEASE AGREEMENT. THIS SECOND AMENDED AND RESTATED LEASE AGREEMENT SHOULD BE FILED AND RECORDED IN THE REAL ESTATE RECORDS AS A LEASE AND AS A MORTGAGE AND FIXTURE FILING. WACHOVIA DEVELOPMENT CORPORATION SHOULD BE INDEXED AS THE GRANTOR OF THE LEASE AND THE GRANTEE (MORTGAGEE) OF THE MORTGAGE AND SECURITY INTEREST. PROTECTIVE LIFE INSURANCE COMPANY SHOULD BE INDEXED AS THE GRANTEE OF THE LEASE AND THE GRANTOR (MORTGAGOR) OF THE MORTGAGE AND SECURITY INTEREST. THE MAILING ADDRESSES OF THE LESSEE (MORTGAGOR AND DEBTOR) AND THE LESSOR (MORTGAGEE AND SECURED PARTY) FROM WHICH INFORMATION CONCERNING THE SECURITY INTEREST MAY BE OBTAINED ARE SET FORTH ON THE SIGNATURE PAGES HEREOF AND A STATEMENT INDICATING THE TYPES, OR DESCRIBING THE ITEMS, OF COLLATERAL ARE AS DESCRIBED IN SECTION 26(d) HEREOF.

THIS INSTRUMENT IS FILED AND SHALL CONSTITUTE A FIXTURE FILING IN ACCORDANCE WITH THE PROVISIONS OF SECTION 7-9A-502(C) OF THE CODE OF ALABAMA.

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SECOND AMENDED AND RESTATED LEASE AGREEMENT

This Second Amended and Restated Lease Agreement dated as of December 19, 2013, (as the same may be amended, restated, modified or supplemented from time to time, this "Lease") is between Wachovia Development Corporation, a North Carolina corporation (together with its successors and permitted assigns, the "Lessor"), and Protective Life Insurance Company, a Tennessee corporation (together with its successors and permitted assigns, the "Lessee"). Capitalized terms used but not defined herein have the meanings given to such terms in Schedule 1.01 of that certain Second Amended and Restated Investment and Participation Agreement dated as of the date hereof (as the same may be amended, restated, supplemented, or otherwise modified from time to time, the "Investment Agreement").

RECITALS

WHEREAS, pursuant to the Original Ground Lease, Wachovia Capital Investments, Inc. (" WCI") acquired a ground lease of certain real property located in Jefferson County, Alabama, described in greater detail in Exhibit A, attached hereto and made a part hereof (the " Site"), and, pursuant to the Original Lease Documents, constructed and installed on the Site an annex office building and a related parking deck and related enhancements and improvements, including furniture, fixtures and equipment, all of which comprise the Facility; and

WHEREAS, WCI assigned 100% of its interest in the Original Lease Documents to Lessor pursuant to the terms of that certain Assignment and Assumption Agreement dated January 11, 2007 and in connection therewith, Lessor and Lessee amended and restated the Original Lease, the Original Investment Agreement, the Original Ground Lease and the Original Guaranty Agreement; and

WHEREAS, the Company has requested that the Original Lease be amended and restated in order to, among other things, extend the maturity date of the Original Lease; and

WHEREAS, in connection therewith, the Original Ground Lease and the Original Investment Agreement will be amended and restated; and

WHEREAS, in connection therewith Guarantor has also agreed to amend and restate the Original Guaranty Agreement to, among other things but subject to certain limitations, confirm and continue its guarantee of the obligations of the Company to the Lessor (for the ratable benefit of certain of the Lease Participants); and

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Lessor and the Lessee agree as follows:

Section 1. Defined Terms.

(a) In this Lease, the terms "Lease," "Lessee," and "Lessor" shall have the meanings indicated above.

(b) With respect to this Lease, the following terms shall have the following meanings:

(i) "Facility" means the collective reference to (i) the Lessor's leasehold interest in the Site, (ii) the Improvements, and (iii) all plans, specifications, warranties and related rights and operating, maintenance and repair manuals related thereto and all replacements of any of the above.

(ii) "Facility Plan" means the "Facility Plan" as defined and used in the Original Lease Agreement.

(iii) "Improvements" means, collectively, the building and nearby parking deck and related enhancements and improvements, including furniture, fixtures and equipment constructed or installed on the Site in accordance with the Facility Plan, together with all accessions thereto and replacements thereof, and together with all accessories, equipment, parts and devices under the Original Lease Documents, and all fixtures now or hereafter included in or attached to the Site, the building and such enhancements and improvements and modifications, but excluding the Site.

(iv) "Site" means that certain real property located in Birmingham, Alabama, described in greater detail on Exhibit A to the Investment Agreement and the Lease.

(v) "UCC" means the Uniform Commercial Code as in effect in the State of Alabama and any other jurisdiction whose laws may be mandatorily applicable.

Section 2. Lease of Facility.

(a) During the term of and subject to the terms and conditions of this Lease, the Lessor hereby leases to the Lessee, and the Lessee hereby leases from the Lessor, the Facility for the Lease Term to be occupied and used for and only for the Permitted Use with respect to the Basic Term. The entire Facility shall become subject to this Lease as of the effective date hereof.

(b) Unless earlier terminated in accordance with the other provisions hereof, including without limitation, Sections 15 and 17, this Lease shall terminate on the Scheduled Lease Termination Date.

(c) The Lessee shall give to the Lessor written notice as provided below under the circumstances described below specifying its election as to which of the options under Section 15(a)(ii) of this Lease the Lessee intends to exercise upon the applicable Lease Termination Date:

(i) in the case of a termination on the Scheduled Lease Termination Date, the Lessee shall give the Lessor notice of such election on any date that is not less than 9 months and no more than 18 months prior to the then current Scheduled Lease Termination Date; and

(ii) if the Lessor (acting, in accordance with Section 9.02(f) of the Investment Agreement, of its own accord or at the direction of the Majority Funding Parties) elects to terminate this Lease due to a Limited Recourse Event of Default, the Lessee shall give the Lessor notice of such election within 5 Business Days of the date the Lessee receives such written notice of the Lessor's election to terminate this Lease due to such Limited Recourse Event of Default.

(d) In the event the Lessee fails to give timely written notice of such election to the Lessor on or before the dates herein provided, the Lessee shall be deemed to have elected to purchase the Facility on the Lease Termination Date for the Purchase Price.

Section 3. Payments.

(a) Basic Rent. The Lessee shall pay to the Lessor on the Rent Payment Date for each Rental Period the amount of Basic Rent due for such Rental Period during the Basic Term.

(b) Final Rent Payment. On the earlier to occur of the Scheduled Lease Termination Date or the Option Date, Lessee shall pay to the Lessor the Final Rent Payment or, if the Company has elected to purchase the Facility, the Purchase Price.

(c) Supplemental Rent. In addition to Basic Rent and the Final Rent Payment, the Lessee will also pay to the Lessor, from time to time, within 10 Business Days after demand by the Lessor, or otherwise as and when due pursuant to the Operative Documents, as additional rent ("Supplemental Rent") the following (but without duplication of any amounts included in the calculation of Rent):

(i) all out-of-pocket costs and expenses reasonably incurred by the Lessor and the Administrative Agent in connection with the preparation, negotiation, execution, delivery, performance and administration of this Lease and the other Operative Documents, including, but not limited to, the following:

(A) fees and expenses of the Lessor and the Administrative Agent, including, without limitation, reasonable attorneys' fees and expenses and the fees and expenses for the Approved Appraisal, the Related Contracts, the Survey, the Environmental Assessment and the Title Policy;

(B) all other amounts owing to the Lessor, the Administrative Agent, and the Lease Participants pursuant hereto or any other Operative Documents, including, without limitation, the Upfront Supplemental Rent, the Arranger's Supplemental Rent and the Administrative Supplemental Rent payable pursuant to Section 2.02 of the Investment Agreement, and all fees, indemnities, expenses, compensation in respect of increased costs of any kind or description payable under the Investment Agreement or any other Operative Document;

(C) all yield maintenance, capital adequacy and other costs contemplated under Article V of the Investment Agreement; and

(D) all out-of-pocket costs and expenses incurred by the Lessor or the Administrative Agent (and, in the case of clause (3) below, any Lease Participant) after the date of this Lease (including, without limitation, reasonable attorneys' fees and expenses and other expenses and disbursements reasonably incurred) associated with (1) negotiating and entering into, or the giving or withholding of, any future amendments, supplements, waivers or consents with respect to this Lease; (2) any Loss Event, Casualty Occurrence or termination of this Lease; and (3) any Default or Event of Default and the enforcement and preservation of the rights or remedies of the Lessor under this Lease and the other Operative Documents and all reasonable costs and expenses incurred by the Lessor or the Administrative Agent or any of their affiliates in syndicating to Lease Participants on or about the Restatement Closing Date all or any part of its interests under the Operative Documents, including, without limitation, the related reasonable fees and out-of-pocket expenses of counsel for the Lessor, the Administrative Agent, or their affiliates, travel expenses, duplication and printing costs and courier and postage fees, and excluding any fees paid to the Lessor or any Lease Participant purchasing such an interest after the Restatement Closing Date; and

(ii) all other amounts that the Lessee agrees herein to pay other than Basic Rent, the Final Rent Payment and amounts described in clause (i) above.

(d) Computations. All computations of Basic Rent shall be made by the Lessor on the basis of a year of 360 days (or, in the case of computations based on the Base Rate, 365/366 days), in each case for the actual number of days (including the first day but excluding the last day) occurring in the Rental Period for which such Basic Rent payments are payable. Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of Rent; provided, however, that if such extension would cause payment of Basic Rent to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(e) No Offsets. This Lease is an absolute net lease, and Rent and all other sums payable by the Lessee hereunder shall be paid without notice except as otherwise expressly provided herein, and the Lessee shall not be entitled to any abatement, reduction, setoff, counterclaim, defense or deduction with respect to any Rent or other sums payable hereunder. The obligations of the Lessee to pay Rent and all other sums payable hereunder shall not be affected by reason of: (i) any damage to, or destruction of, the Facility or any part thereof by any cause whatsoever (including, without limitation, fire, casualty or act of God or enemy or any other force majeure event); (ii) any condemnation, including, without limitation, a temporary condemnation of the Facility or any part thereof; (iii) any prohibition, limitation, restriction or prevention of the Lessee's use, occupancy or enjoyment of the Facility or any part thereof by any Person (other than by the Lessor in violation of this Lease); (iv) any matter affecting title to the Facility or any part thereof; (v) any eviction of the Lessee from, or loss of possession by the Lessee of, the Facility or any part thereof, by reason of title paramount or otherwise (other than by the Lessor in violation of this Lease); (vi) any default by the Lessor hereunder or under any other Operative Document; (vii) the invalidity or unenforceability of any provision hereof or the impossibility or illegality of performance by the Lessor or the Lessee or both; (viii) any action of any Governmental Authority; or (ix) any other Loss Event, Casualty Occurrence or other cause or occurrence whatsoever, whether similar or dissimilar to the foregoing. The Lessee shall remain obliged under this Lease in accordance with its terms and shall not take any action to terminate, rescind or avoid this Lease, except as expressly provided in Section 15, notwithstanding any bankruptcy, insolvency, reorganization, liquidation, dissolution or other proceeding affecting the Lessor or any action with respect to this Lease which may be taken by any trustee, receiver or liquidator or by any court. The Lessee waives all rights to terminate or surrender this Lease, except as expressly provided in Section 15, or to any abatement or deferment of Rent or other sums payable hereunder. The Lessee hereby waives any and all rights now or hereafter conferred by law or otherwise to modify or to avoid strict compliance with its obligations under this Lease. All payments made to the Lessor hereunder as required hereby shall be final and irrevocable, and the Lessee shall not seek to recover any such payment or any part thereof for any reason whatsoever, absent manifest error.

(f) Taxes. Subject to the Lessee's contest rights under Section 13, all payments of Rent and all other amounts to be paid by the Lessee hereunder to the Lessor shall be made without deduction for, and free from, any taxes, imposts, levies, duties, deductions or withholdings of any nature now or at any time hereafter imposed by any Governmental Authority or by any taxing authority thereof or therein imposed or levied upon, assessed against or measured by any Rent or other sums payable hereunder excluding taxes imposed on or measured by the net income or net worth of the Lessor or any Lease Participant and franchise taxes imposed on the Lessor or any Lease Participant, and any tax arising by reason of a connection between the Lessor or any Lease Participant or the jurisdiction of the Lessor or any Lease Participant or the Applicable Funding Office of the Lessor or any Lease Participant and the jurisdiction imposing such tax (all such non-excluded taxes, imposts, levies, duties, deductions or withholdings of any nature being " Taxes"). In the event that the Lessee is required by applicable law to make any such withholding or deduction of Taxes with respect to any Rent or other amount, the Lessee shall pay such deduction or withholding to the applicable taxing authority, shall promptly furnish to the Lessor or such Lease Participant in respect of which such deduction or withholding is made all receipts and other documents evidencing such payment and shall pay to the Lessor or such Lease Participant additional amounts as may be necessary in order that the amount received by the Lessor or such Lease Participant after the required deduction or withholding shall equal the amount the Lessor or such Lease Participant would have received had no such deduction or withholding been made. In addition, the Lessee agrees that it will promptly pay all other Impositions imposed upon or levied or assessed against the Facility or any part thereof, or against the Lessor or any Lease Participant in connection with the transactions contemplated by this Lease and the other Operative Documents, or any sums levied in connection with the execution, delivery or recording of the Operative Documents, and will furnish to the Lessor or any Lease Participant upon request copies of official receipts or other proof evidencing such payment; provided, however, that the Lessee shall not be obligated to pay (i) any Impositions that are excluded from the definition of Taxes; or (ii) any Impositions attributable to the gross negligence or willful misconduct of the Lessor or any Lease Participant. The Lessee further agrees that, subject to its contest rights under Section 13, it will, at its expense, do all things required to be done by the Lessor in connection with the levy, assessment, billing or payment of any Impositions that it is required to pay pursuant to the preceding sentence, and is hereby authorized by the Lessor or any Lease Participant to act for and on its behalf in any and all such respects and to prepare and file, on behalf of the Lessor or any Lease Participant, all tax returns and reports required to be filed by the Lessor or any Lease Participant (other than federal income tax returns and documents related thereto, subject to Section 25) concerning the Facility. The Lessee's payment obligations under this Section 3(f) shall survive the termination of this Lease. In the event that any withholding or deduction from any payment to be made by the Lessee hereunder is required in respect of any Imposition pursuant to any Governmental Requirement, then the Lessee will:

(i) pay directly to the relevant Governmental Authority the full amount required to be so withheld or deducted;

(ii) promptly forward to the Lessor, if available, an official receipt or other documentation satisfactory to the Lessor evidencing such payment to such Governmental Authority; and

(iii) pay to the Lessor or any Lease Participant, as applicable, such additional amount or amounts as is necessary to ensure that the net amount actually received by the Lessor or such Lease Participant will equal the full amount the Lessor or such Lease Participant would have received had no such withholding or deduction been required.

(g) Payments to the Lessor; Payments to the Administrative Agent on Lessor's Behalf . The Lessee acknowledges and agrees that, pursuant to Section 10.02 of the Investment Agreement, Lessor and the Lease Participants have appointed the Administrative Agent to, among other things, receive on their behalf and for their account all payments which are otherwise to be made directly to Lessor or the Lease Participants, as applicable, under the Operative Documents and to disburse on behalf of Lessor all payments which are otherwise to be made by Lessor under the Operative Documents, and Lessee agrees that it shall pay all amounts due under this Lease to the Lessor or the Lease Participants directly to the Administrative Agent on the Lessor's or Lease Participants' behalf, as applicable, and for the Lessor's or Lease Participants' account, as applicable. Receipt of any such payments by the Administrative Agent shall constitute constructive receipt thereof by the Lessor or the Lease Participants, as applicable. All such payments required to be made to the Lessor shall be made not later than 1:00 P.M. Eastern Time, on the date due, in immediately available funds, to such account as the Lessor shall specify from time to time by notice to the Lessee. Whenever any payment to be made shall otherwise be due on a day which is not a Business Day, except as otherwise expressly provided herein or in the Investment Agreement, such payment shall be made on the next succeeding Business Day and such extension shall be included in computing Rent, interest, yield and fees, if any, in connection with such payment.

(h) Default Rate. The Lessee shall pay on demand to the Lessor interest at the Default Rate on all amounts payable by the Lessee to the Lessor hereunder or under the Operative Documents in respect of overdue principal of, Yield on, and other amounts owing in respect of all Rent and all other amounts payable under this Lease, the Investment Agreement or any of the other Operative Documents, from the due date thereof until paid in full.

Section 4. Anti-Terrorism Laws. Lessee shall, at its expense, comply with all Anti-Terrorism Laws and will comply in all respects with all terms and conditions set forth in the Investment Agreement relating to Anti-Terrorism Laws, all of which are incorporated herein by this reference.

Section 5. Title to Facility.

(a) Title to all components of the Facility is vested in and shall remain in the Lessor, and such components shall be subject to the terms and conditions of this Lease.

(b) The Lessor shall own 100% of the ground lease of the Site and the legal and beneficial interest in the remainder of the Facility. All accessories, equipment, parts, fixtures and devices affixed or placed on the Facility from time to time by the Lessee, other than " Excluded Equipment," and all modifications, alterations, renovations or improvements to the Facility made by the Lessee shall be and become part of the Facility for the purposes of this Lease and shall be Property of the Lessor subject to the terms of this Lease; provided that the Lessor's interest in any part of the Facility that is replaced by the Lessee pursuant to and as permitted by the terms of this Lease shall be deemed released from this Lease (and the Collateral) and thereupon become the Property of the Lessee automatically, without further action by the Lessor, and the Lessor shall perform all acts and execute all documents that the Lessee reasonably requests to give effect to the foregoing at the expense of the Lessee, including the execution and delivery of bills of sale and other documents of transfer. This Lease shall not give or grant to the Lessee any right, title or interest in or to the Facility, except the rights expressly conferred by this Lease. The term "Excluded Equipment" shall mean any computer equipment, telephone equipment, copier equipment, facsimile equipment or other office equipment which is (i) acquired by the Lessee with its own funds or leased under separate lease agreements from third party lessors and not acquired in whole or in part with the proceeds of Lessor Investments, and (ii) does not constitute a modification or replacement of or supplement or accession to any part of the Facility.

Section 6. Permitted Use. The Lessee shall not be permitted to use, or allow any approved subtenants to use, the Facility or any part of the Site or the Improvements for any use other than as a corporate office building and accompanying parking deck in compliance with all applicable Governmental Requirements and Insurance Requirements (the " Permitted Use").

Section 7. Maintenance of the Facility; Operations.

(a) The Lessee shall, and it shall require and cause any and all employees, contractors, subcontractors, agents, representatives, affiliates, consultants and occupants at the Lessee's own cost and expense to:

(i) cause the Facility to be maintained in all material respects in good operating order, repair and condition, in accordance with prudent industry practice and any applicable manufacturer's or supplier's manuals or warranties, subject to normal wear and tear, and take all action, and make all changes and repairs, structural and non-structural, foreseen and unforeseen, ordinary and extraordinary, which are required pursuant to any Governmental Requirement or Insurance Requirement at any time in effect to assure full compliance therewith in all material respects; and

(ii) do all things necessary to prevent the incurrence of any Environmental Damages or Environmental Liabilities relating to the Facility or any business conducted in or relating to the Facility or the Site, and cause the Facility to continue to have at all times, in all material respects, and in compliance with all applicable Governmental Requirements and Insurance Requirements, the capacity and functional ability to perform, on a continuing basis (subject to normal interruption in the ordinary course of business for maintenance, inspection, service, repair and testing) and in commercial operation, the functions for which it was designed as specified in the Facility Plan and to be utilized commercially for the Permitted Use.

(b) The Lessee shall, and it shall require and cause any and all employees, contractors, subcontractors, agents, representatives, affiliates, consultants and occupants at the Lessee's own cost and expense to, promptly replace, or cause to be replaced, any part of the Facility which may from time to time be incorporated or installed in or attached to the Facility, and which may from time to time become worn out, lost, stolen, destroyed, seized, confiscated, damaged beyond repair, obsolete or permanently rendered unfit for use for any reason whatsoever. All replacement parts shall be free and clear of all Liens other than Permitted Liens, and, except for temporary accessions and replacement parts utilized pending installation of permanent replacement parts, shall be of a type customarily used in the industry at such time for such purpose, shall be in as good operating condition as, and shall have a utility and useful life at least equal to, the parts replaced (assuming such replaced parts were in the condition and repair required to be maintained by the terms hereof) and shall have a value at least equal to the parts replaced (assuming such replaced parts were in the condition and repair required to be maintained by the terms hereof).

(c) Notwithstanding the provisions of Section 8 and the foregoing provisions of this Section 7, the Lessee shall not (except as may be required by any Governmental Requirement) remove, replace or alter any part of the Facility or affix or place any accessory, equipment, part or device on any part of the Facility, if such removal, replacement, alteration or addition would impair the originally intended function or use of the Facility so as to materially reduce the value of the Facility taken as a whole, or materially decrease the estimated useful life of the Facility.

(d) The Lessor shall not be required in any way to maintain, repair or rebuild the Facility or any part thereof and the Lessee waives any right it may now or hereafter have to make any repairs at the expense of the Lessor pursuant to any Governmental Requirement at any time in effect or otherwise.

(e) The Lessee shall, and it shall require and cause any and all employees, contractors, subcontractors, agents, representatives, affiliates, consultants and occupants at the Lessee's own cost and expense to:

(i) comply in all material respects with all applicable Environmental Requirements with regard to the Facility and all parts thereof; and

(ii) use, employ, process, emit, generate, store, handle, transport, dispose of and/or arrange for the disposal of, any and all Hazardous Materials in, on or, directly or indirectly, related to or in connection with the Facility or any part thereof in a manner consistent with prudent industry practice and in compliance with any applicable Environmental Requirement. The Lessor and the Lessee hereby acknowledge and agree that the Lessee's obligations hereunder with respect to Environmental Requirements are intended to bind the Lessee with respect to matters and conditions involving the Facility or any part thereof.

Section 8. Modifications.

(a) The Lessee shall make no modifications, alterations, renovations or improvements to the Facility without the prior written consent of the Lessor, provided however, that subject to the terms of Section 8(b), the Lessee shall have the right to make modifications, alterations, renovations or improvements to the Facility so long as such modifications, alterations, renovations or improvements do not (except as may be required by any Governmental Requirement) (i) materially reduce the value of the Facility as a whole; (ii) materially and adversely affect the capacity and performance of the Facility on a continuing basis in commercial operation of the function for which the Facility was designed as specified in the Facility Plan; (iii) materially deviate from the Facility Plan; or (iv) materially and adversely affect the estimated useful life of the Facility. Within 20 Business Days of the end of each calendar quarter, an Authorized Officer of the Lessee shall deliver to the Lessor a schedule certifying to the Lessor's reasonable satisfaction: (x) the nature of the repairs, replacements, modifications, alterations, renovations or improvements to the Facility made during such quarter having a cost of at least $500,000 at the time made, and (y) that the Facility continues to have, in all material respects, the capacity and functional ability to perform on a continuing basis (subject to normal interruption in the ordinary course of business for maintenance, inspection, service, repair and testing) and in commercial operation, the functions for which it was designed as specified in the Facility Plan or, if not, specifying the reason for any such deficiency, including, without limitation, the occurrence and nature of any Loss Event or Casualty Occurrence with respect to the Facility.

(b) If the Lessee determines that any part of the Facility is no longer necessary for the performance of the Facility on a continuing basis in commercial operation of the function for which the Facility was designed as specified in the Facility Plan, then the Lessee (except when such action or removal may be required by any applicable Governmental Requirement, in which event, the Lessee shall promptly give the Lessor notice of such action or removal) shall give the Lessor at least 30 days' notice prior to taking any action as the result of such determination and shall not remove any such part unless and until the Lessor has determined that (i) such part is no longer necessary for the performance of the Facility on a continuing basis in commercial operation of the function for which the Facility was designed in all material respects as specified in the Facility Plan, (ii) removal of such part does not materially reduce the value of the Facility as a whole, and (iii) removal of such part does not materially decrease the estimated useful life of the Facility. This Section 8(b) shall not apply to worn out or obsolete Property or damaged Property (to the extent such damage does not constitute a Casualty Occurrence or Loss Event) removed and replaced by the Lessee in accordance with Section 7(b).

Section 9. Further Assurances. The Lessee, at its expense, shall execute, acknowledge and deliver from time to time such further counterparts of this Lease or a memorandum of this Lease acceptable to the Lessor or such affidavits, certificates, certificates of title, bills of sale, financing and continuation statements, consents and other instruments as may be required by applicable law or reasonably requested by the Lessor in order to evidence the Lessor's ground lease of the Site and title to the remainder of the Facility and the Lessor's interests in this Lease, and shall, at the Lessee's expense, cause such documents to be recorded, filed or registered in such places as the Lessor reasonably may request and to be re-recorded, refiled or re-registered in such places as may be required by applicable law or at such times as may be required by applicable law in order to maintain and continue in effect the recordation, filing or registration thereof. The Lessor shall not grant or create any Lien on the Facility to any Person except Permitted Liens, Liens in favor of the Lessor (for itself and in trust for the Lease Participants) and Liens pursuant to this Lease, the Security Instruments and the other Operative Documents.

Section 10. Compliance with Governmental Requirements and Insurance Requirements: Related Contracts . The Lessee, at its expense, will comply with all Governmental Requirements applicable to the Facility or any part thereof or the ownership, construction, operation, mortgaging, occupancy, possession, use, non-use or condition of the Facility or any part thereof, all Insurance Requirements, and all instruments, contracts or agreements affecting title to ownership of the Facility or any part thereof. In addition, the Lessee (as Lessee under this Lease or as Lessor's agent in accordance with Section 8.30 of the Investment Agreement), so long as Lessor (acting, in accordance with Section 9.02(a) of the Investment Agreement, of its own accord or at the direction of the Majority Funding Parties) has not commenced the exercise of remedies under the Operative Documents, is hereby authorized by the Lessor to, and shall, fully and promptly keep, observe, perform and satisfy on behalf of the Lessor any and all obligations, conditions, covenants and restrictions of or on the Lessor or the Lessee under any and all Related Contracts so that there will be no default thereunder and so that the other parties thereunder shall be, and remain at all times, obliged to perform their obligations thereunder, and the Lessee, to the extent within its control, shall not permit to exist any condition, event or fact that could allow or serve as a basis or justification for any such Person to avoid such performance.

Section 11. Condition and Use of Facility; Quiet Enjoyment .

(a) THE FACILITY IS LEASED AND THE LESSEE ACCEPTS AND TAKES POSSESSION OF THE FACILITY AS IS, WHERE IS, AND WITH ALL FAULTS AND IN THE CONDITION THEREOF AND SUBJECT TO THE RIGHTS OF ANY PARTIES IN POSSESSION THEREOF, THE STATE OF THE TITLE THERETO, THE RIGHTS OF OWNERSHIP THEREIN AND SUBJECT TO ALL GOVERNMENTAL REQUIREMENTS NOW IN EFFECT OR HEREAFTER ADOPTED, IN EACH CASE AS IN EXISTENCE WHEN THE SAME FIRST BECOMES SUBJECT TO THIS LEASE, WITHOUT REPRESENTATIONS AND WARRANTIES OF ANY KIND AS TO TITLE BY THE LESSOR (OTHER THAN, AS TO THE LESSOR, THE ABSENCE OF ANY "LESSOR LIENS," AS DEFINED IN SECTION 16(a) HEREOF), ANY LEASE PARTICIPANT OR ANY PERSON ACTING ON BEHALF OF ANY OF THEM. THE LESSEE ACKNOWLEDGES AND AGREES THAT THE FACILITY HAS NOT BEEN CONSTRUCTED BY THE LESSOR, ANY LEASE PARTICIPANT, ARRANGER, OR ADMINISTRATIVE AGENT, THAT NONE OF THE LESSOR, ANY LEASE PARTICIPANT, ARRANGER, OR ADMINISTRATIVE AGENT HAS SUPPLIED ANY SPECIFICATIONS WITH RESPECT TO THE FACILITY AND THAT NONE OF THE LESSOR, ANY LEASE PARTICIPANT, ARRANGER, OR ADMINISTRATIVE AGENT (I) IS A VENDOR OF, OR MERCHANT OR SUPPLIER WITH RESPECT TO, ANY OF THE

PROPERTY COMPRISING THE FACILITY OR ANY PROPERTY OF SUCH KIND, (II) HAS MADE ANY RECOMMENDATION, GIVEN ANY ADVICE OR TAKEN ANY OTHER ACTION WITH RESPECT TO THE CHOICE OF ANY MANUFACTURER, SUPPLIER OR TRANSPORTER OF, OR ANY VENDOR OF OR OTHER CONTRACTOR, INCLUDING, WITHOUT LIMITATION, WITH RESPECT TO PROPERTY COMPRISING THE FACILITY, (III) HAS AT ANY TIME HAD PHYSICAL POSSESSION OF ANY SUCH PROPERTY, (IV) HAS MADE OR IS MAKING ANY WARRANTY, EXPRESS OR IMPLIED, RELATING TO THE FACILITY, INCLUDING WITHOUT LIMITATION, WITH RESPECT TO TITLE, MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR OTHERWISE, THE DESIGN, CONDITION, QUALITY OF MATERIAL OR WORKMANSHIP, CONFORMITY TO SPECIFICATIONS, FREEDOM FROM PATENT OR TRADEMARK INFRINGEMENT, ABSENCE OF ANY LATENT OR OTHER DEFECTS, WHETHER OR NOT DISCOVERABLE, WHETHER ARISING PURSUANT TO THE UCC OR ANY OTHER PRESENT OR FUTURE LAW OR OTHERWISE, OR COMPLIANCE WITH APPLICABLE PERMITS OR OTHER GOVERNMENTAL REQUIREMENTS, OR (V) SHALL BE LIABLE FOR INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING LIABILITY IN TORT, STRICT OR OTHERWISE). IN THE EVENT OF ANY DEFECT OR DEFICIENCY OF ANY NATURE IN THE FACILITY OR ANY PROPERTY OR OTHER ITEM CONSTITUTING A PART THEREOF, WHETHER PATENT OR LATENT, NONE OF THE LESSOR, ANY LEASE PARTICIPANT, ARRANGER, OR ADMINISTRATIVE AGENT SHALL HAVE ANY RESPONSIBILITY OR LIABILITY WITH RESPECT THERETO. THE PROVISIONS OF THIS SECTION 11 HAVE BEEN NEGOTIATED AND ARE INTENDED TO BE A COMPLETE EXCLUSION AND NEGATION OF ANY AND ALL WARRANTIES, EXPRESS OR IMPLIED, BY THE LESSOR, THE LEASE PARTICIPANTS, ARRANGER, AND ADMINISTRATIVE AGENT WITH RESPECT TO THE FACILITY OR ANY PROPERTY OR OTHER ITEM CONSTITUTING A PART THEREOF, WHETHER ARISING PURSUANT TO THE UCC OR ANY OTHER LAW NOW OR HEREAFTER IN EFFECT.

(b) The Lessor hereby assigns to the Lessee, until the occurrence of a Cancellation Event or Termination Event hereunder, the benefits in respect of any Vendor's warranties or undertakings, express or implied, relating to the Facility (including any labor, equipment or parts supplied therewith), and, to the extent assignment of the same is prohibited or precludes enforcement of any such warranty or undertaking, the Lessor hereby subrogates the Lessee to its rights in respect thereof. The Lessor hereby authorizes the Lessee, at the Lessee's expense, to assert any and all claims and to prosecute any and all suits, actions and proceedings, in its own name or in the name of the Lessor, in respect of any such warranty or undertaking and, except during the continuance of an Event of Default, or after the occurrence of a Cancellation Event or Termination Event hereunder, to retain the proceeds received, and after the termination of this Lease or after the occurrence of a Cancellation Event or Termination Event, to pay the same in the form received (with any necessary endorsement) to the Lessor.

(c) The Lessee may use the Facility for the Permitted Use provided that the value of the Facility is not diminished by any such use other than as a result of normal wear and tear in the ordinary course of business. During the term of this Lease, the Lessor covenants that unless a Cancellation Event or a Termination Event has occurred and is continuing and except as may arise under a Permitted Lien or as may otherwise be contemplated under the Operative

Documents, the Lessor will not, and will not permit any party claiming by, through or under the Lessor to, interfere with the peaceful and quiet possession and enjoyment of the Facility by the Lessee; provided, however, that the Lessor and the Lease Participants and their respective successors, assigns, representatives and agents may, upon reasonable notice to the Lessee, enter upon and examine the Facility or any part thereof at reasonable times, subject to the provisions of Section 19; and provided further, however, that the Lessor is not hereby warranting the state or quality of the title to any part of the Facility. Any failure by the Lessor to comply with the foregoing provisions of this Section 11(c) shall not give the Lessee any right to cancel or terminate this Lease, or to abate, reduce or make reduction from or offset against any Rent or other sum payable under this Lease or any other Operative Document, or to fail to perform or observe any other covenant, agreement or obligation hereunder or thereunder. The Lessee will not do, or fail to do, or permit or suffer to exist any act or thing, which action or thing or failure might impair the value, use or usefulness of the Facility for the Permitted Use in accordance with the design of the Facility, ordinary wear and tear excepted.

Section 12. Liens. The Lessee will not directly or indirectly create, or permit to be created or to remain, and at the Lessee's expense will discharge within 30 days of notice of the filing or assertion thereof, by bond, deposit or otherwise, any Lien upon the Lease or the Facility except (i) any Lien being contested as permitted by and in accordance with Section 13, or (ii) Permitted Liens. The Lessor agrees that the Lessee shall have during the term of this Lease the exclusive right (so long as no Event of Default has occurred and is continuing) to grant, create or suffer to exist Permitted Liens in the ordinary course of business and in accordance with prudent industry practices, provided that the fair market value or use of the Facility or the applicable part thereof for the Permitted Use is not materially lessened thereby. The Lessor agrees to execute such documents and take all other actions as shall be reasonably necessary, and otherwise to cooperate with the Lessee in connection with the matters described above, provided that all reasonable out-of-pocket costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) incurred by the Lessor in connection therewith shall be borne by the Lessee, and the Lessor shall not be required to execute any document that would, in the opinion of the Lessor, materially and adversely affect the value or use of the Facility or any part thereof for the Permitted Use or otherwise materially and adversely affect the transactions contemplated by the Operative Documents or the interests of the Lessor or the Lease Participants in the Facility or under the Operative Documents or otherwise.

(a) The Lessor will not directly or indirectly create, or permit to be created or to remain, and will discharge, any Lien of any nature whatsoever on, in or with respect to, its interest in the Facility arising by or through it or its actions, except Permitted Liens.

(b) The Lessee will not directly or indirectly sell, transfer, or otherwise dispose of its interest in the Facility.

Section 13. Permitted Contests. Notwithstanding any other provision of this Lease to the contrary, after prior written notice to the Lessor and provided there is no material risk of sale, forfeiture or loss of the Facility or any material part thereof, the Lessee may at its expense contest any Imposition which it is required to pay hereunder, by appropriate proceedings conducted in good faith and with due diligence, so long as such proceedings are effective to prevent the collection of such Imposition from the Lessor or the Lease Participants or against the

Facility or any part thereof (or if such amounts have been paid by the Lessee under protest in connection therewith); provided, however, that the actions of the Lessee, as authorized by this Section 13, shall be subject to the express written consent of the Lessor if such actions would subject the Lessor or any such Lease Participant or the Facility or any part thereof to any liability or loss not indemnified in full by the Lessee hereunder or any sanction, criminal or otherwise, for failure to pay any such Imposition. The Lessee will pay, and save the Lessor and each such Lease Participant harmless against, all losses, Judgments and reasonable costs, including reasonable attorneys' fees and expenses, in connection with any such contest and will, promptly after the final determination of such contest, pay and discharge the amounts which shall be imposed or determined to be payable therein, together with all penalties, costs and expenses incurred in connection therewith. The Lessee shall prevent any foreclosure, judicial sale, taking, loss or forfeiture of the Facility or any part thereof, or any interference with or deductions from any Rent or any other sum required to be paid by the Lessee hereunder by reason of such nonpayment or nondischarge of an Imposition. The Lessor shall cooperate with the Lessee in any contest and shall allow the Lessee to conduct such contest (in the name of the Lessor, if necessary) at the Lessee's sole cost and expense; and the Lessee shall indemnify and hold the Lessor harmless from and against all liabilities, costs and expenses in connection with such contest. The Lessee shall notify the Lessor of each such proceeding within 10 days after the commencement thereof, which notice shall describe such proceeding in reasonable detail.

Section 14. Insurance, etc.

(a) The Lessee will, at its own expense, purchase and maintain, or cause to be purchased and maintained throughout the term of this Lease, insurance with respect to its business and the Facility in accordance with the requirements of Schedule 14.

(b) The Lessee shall bear all risk of loss (including any Loss Event or Casualty Occurrence), whether by casualty, theft, taking, confiscation or otherwise, with respect to the Facility or any part thereof, at all times during the term of this Lease until possession of the Facility has been accepted by the Lessor pursuant to Section 17.

(c) So long as no Termination Event or Cancellation Event shall have occurred, any payments, whether constituting insurance proceeds, amounts paid by any Governmental Authority or otherwise, received by the Lessee or the Lessor upon the occurrence of any loss with respect to the Facility or part thereof (other than a Casualty Occurrence), whether as a result of casualty, theft, taking or other confiscation, shall be applied in payment for necessary repairs and replacement to the Facility in accordance with Section 7 or, to the extent the costs of such repairs and replacement shall have been paid by the Lessee, to reimburse the Lessee. The Lessee shall be entitled to retain any excess funds remaining after necessary repairs and replacements have been completed and all costs therefor paid in full. Upon the occurrence of any Termination Event or Cancellation Event, the Lessor shall be entitled to receive and retain any such payments for application to the obligations of the Lessee hereunder.

(d) Upon a Casualty Occurrence, the Lessee shall give prompt notice thereof to the Lessor and shall within 60 days of the date of such Casualty Occurrence either (i) offer to purchase the whole of the Facility for the Purchase Price as provided in Section 15(b)(ii), or (ii) provide the Lessor with a replacement plan acceptable to the Lessor setting forth how the Lessee shall replace, or cause to be replaced, at the Lessee's own cost and expense, in no event later than the Scheduled Lease Termination Date such part of the Facility that is the subject of a Casualty Occurrence in accordance with this Section 14(d) and Section 7. If the Lessee chooses the option set forth in clause (ii) of the preceding sentence, within the later to occur of (x) 60 days after the date of the Casualty Occurrence and (y) satisfaction of all applicable Governmental Requirements, and obtaining all authorizations of Governmental Authorities, required therefor (but in no event later than 180 days after the date of the Casualty Occurrence), the Lessee shall have commenced repairs or replacements as specified in the replacement plan and shall thereafter proceed diligently with such repairs and replacements to completion. After completion of the repairs and replacements, the Lessee shall demonstrate to the satisfaction of the Lessor that operations, capacity and production from the Facility have been restored to the standards existing prior to such Casualty Occurrence.

(e) All replacement Property of the Facility (other than temporary replacement parts and equipment installed pending installation of permanent replacement Property) installed pursuant to Section 14(d) shall be free and clear of all Liens except Permitted Liens, and shall be in as good operating condition as, and shall have a value and utility at least equal to, the Property replaced immediately prior to the Casualty Occurrence to which such Property was subject. For purposes of this Lease (including without limitation Section 14(d) and Section 7), the Funded Amount and book value of the replacement Property shall be deemed to equal the Funded Amount and book value of the part(s) replaced thereby. All Property of the Facility at any time removed from this Lease pursuant to Section 14(d) and Section 7 shall remain the property of the Lessor, no matter where located, until such time as insurance proceeds have been received by the Lessor at least equal to the book value of such part of the Facility or such part shall be replaced by suitable items that have been incorporated or installed on or attached to the Facility and that meet the requirements specified above. Immediately upon any permanent replacement Property becoming incorporated or installed on or attached to the Facility as provided above, without further act, such permanent replacements shall become subject to this Lease and be deemed part of the Facility for all purposes hereof to the same extent as any other parts of the Facility. All amounts of insurance proceeds for Property losses and all other proceeds (whether resulting from damage or destruction or from condemnation, confiscation or seizure) relating to the Facility shall be held and released, together with accrued interest thereon, as hereinafter provided. So long as a Cancellation Event or Termination Event shall not have occurred, and provided that the Lessor shall have received a written application of the Lessee accompanied by a certificate of an Authorized Officer of the Lessee showing in reasonable detail the nature of any necessary repair, rebuilding and restoration, the actual cash expenditures necessary for such repair, rebuilding and restoration, the expected total expenditures required to complete such work and evidence that sufficient funds are or will be available to complete such work on a timely basis (such certificate to be acceptable to the Lessor in all respects), then the amount of such proceeds, together with accrued interest thereon, shall be released by the Lessor immediately upon receipt of such certification or, if applicable, from time to time on the last Business Day of each month during the period of repair, rebuilding and restoration in payment therefor against presentation to the Lessor of a certificate executed by an Authorized Officer of the Lessee to the effect that expenditures have been made, or costs incurred, by or for the account of the Lessee or are reasonably anticipated to be made during the immediately following one month period in a specified amount for the purposes of making repairs, rebuilding and restoration in the amounts specified, that no Event of Default, Cancellation Event or Termination

Event exists and all conditions precedent herein provided relating to such withdrawal and payment have been satisfied. Upon the occurrence of any Termination Event or Cancellation Event, the Lessor shall be entitled to retain all such proceeds for application to the obligations of the Lessee hereunder.

(f) If any Loss Event or Casualty Occurrence shall occur, the Lessee shall promptly notify the Lessor of such event in writing.

Section 15. Termination; Cancellation; Purchase Option.

(a) (i) The termination of this Lease (A) on the Scheduled Lease Termination Date or (B) by reason of the occurrence of a Limited Recourse Event of Default and the delivery by the Lessor (acting, in accordance with Section 9.02(f) of the Investment Agreement, of its own accord or at the direction of the Majority Funding Parties) to the Lessee of a notice stating that the Lessor elects to terminate this Lease by reason of the occurrence of such Limited Recourse Event of Default, in which case the Lease Termination Date will be the 5th Business Day after the date of delivery of said notice to the Lessee, shall be a "Termination Event," the effect of which shall be to cause this Lease to terminate on the applicable Lease Termination Date.

(ii) If a Termination Event occurs, the Lessee, on the Lease Termination Date, shall, in accordance with the terms of Section 2(b), without further notice or demand to the Lessee, either

(A) purchase the Facility from the Lessor for the Purchase Price; or

(B) so long as no Cancellation Event has occurred:

(1) pay to the Lessor the Final Rent Payment and provide to the Lessor a satisfactory update of the Environmental Assessment; and

(2) attempt to sell (until such time as the Lessor shall have terminated, in accordance with Section 8.30 of the Investment Agreement, the Lessee's obligation to so attempt to sell the Facility), subject to the Lessor's prior written approval, the Facility, as agent for the Lessor, without recourse or warranty by the Lessor, to a Person not affiliated with Lessee for a net cash purchase price not less than, and remit to the Lessor the net cash sales proceeds equal to (unless otherwise approved by all of the Funding Parties), the Termination Value less any amount paid pursuant to Section 15(a)(ii)(B)(1), with Lessee's being entitled to retain for its own account the amount by which such proceeds exceed the Termination Value. The Lessor shall also have the right (but not the obligation) to sell the Facility and/or solicit bids, each in its sole and absolute discretion.

(b) (i) Each of the following events shall be a "Cancellation Event", the effect of which shall be to cause this Lease to be terminated in accordance with the following provisions on the "Cancellation Date" specified:

(A) the occurrence of (1) a Lease Event of Default (other than a Lease Event of Default under Section 17(a)(iv) hereof, a Lease Event of Default occurring by virtue of an Event of Default under Section 9.01(h) or (i) of the Investment Agreement, or a Limited Recourse Event of Default) and the delivery by the Lessor to the Lessee of a notice stating that the Lessor (acting, in accordance with Section 9.02(a) of the Investment Agreement, of its own accord or at the direction of the Majority Funding Parties) elects to terminate this Lease by reason of the existence of such Lease Event of Default, in which cases the Cancellation Date will be the 5th Business Day after the date of delivery of said notice to the Lessee, or (2) a Lease Event of Default under Section 17(a)(iv) hereof or a Lease Event of Default occurring by virtue of an Event of Default under Section 9.01(h) or (i) of the Investment Agreement in which cases the Cancellation Date shall occur immediately upon the occurrence of such Lease Event of Default; or

(B) the occurrence of a Loss Event, in which case the Cancellation Date shall be the 5th Business Day after such event occurs; or

(C) the occurrence of a Casualty Occurrence in respect of the Facility and the failure of the Lessee to purchase the Facility or to replace or repair the Facility or such part thereof in accordance with, and within the time required by, Section 14(d), and the delivery by the Lessor (acting at the direction of the Majority Funding Parties) to the Lessee of a notice after the expiration of such time stating that the Lessor elects to terminate this Lease by reason of the existence of such Casualty Occurrence, in which case the Cancellation Date shall be the 5th Business Day after the date of delivery of said notice.

(ii) If a Cancellation Event occurs, the Lessee, on the Cancellation Date, shall, without further notice or demand to the Lessee, either (A) purchase the Facility from the Lessor for the Purchase Price, or (B) pay to the Lessor the Termination Value.

(c) The Lessee may, from time to time and at any time, deliver to the Lessor notice of its intent to terminate this Lease, in which case the Lessee shall purchase the Facility from the Lessor for the Purchase Price on any Rent Payment Date that is not less than 30 nor more than 60 days after such notice (the "Option Date"). Upon payment in full of the Purchase Price, this Lease shall terminate.

(d) This Lease shall cease and terminate on the Lease Termination Date, and payment of all amounts payable by the Lessee on such date, except with respect to (i) obligations and liabilities of the Lessee, actual or contingent, which arose under this Lease, or by reason of events or circumstances occurring or existing, on or prior to its termination, and which have not been satisfied (which obligations shall continue until satisfied and which include, but are not limited to, obligations for Rent and the Termination Value, the Purchase Price and amounts owing pursuant to Section 16), and (ii) obligations of the Lessee which by the terms of this Lease expressly survive termination. Promptly after either the Lessee or the Lessor shall learn of the happening of any Termination Event or Cancellation Event, such party shall give notice thereof to the other party hereto.

(e) In the event the Lessee elects to purchase the Facility upon the occurrence of a Termination Event (other than the expiration of this Lease on a Scheduled Lease

Termination Date) or a Cancellation Event, Lessee in its sole discretion in order to ensure the orderly conveyance of the Facility may postpone the closing date for such conveyance (whether or not extended, the "Purchase Closing Date") to a reasonable date within 60 days following the Lease Termination Date or Cancellation Date, as applicable. The Lessor shall notify the Lessee of any such postponement and the proposed extended Purchase Closing Date in writing on or before the Lease Termination Date or Cancellation Date, as applicable, and the Lessee shall be deemed to have been granted a temporary license by the Lessor entitling the Lessee to retain possession of the Facility through the Purchase Closing Date provided that the Lessee complies with all obligations of the Lessee under this Lease as though this Lease were still in full force and effect (including without limitation, compliance with permitted use, maintenance and insurance coverage requirements). In the event of an extension of the Purchase Closing Date as herein contemplated, the Purchase Price will be calculated as of such extended Purchase Closing Date. This Section 15(e) shall survive the termination of this Lease.

Section 16. Transfer of Title on Removal of Facility; Expenses of Transfer.

(a) Upon any sale or purchase of the Facility permitted by Section 15, the Lessor will transfer to the Lessee or the appropriate Third Party all of its title to and legal and beneficial ownership interest in the Facility (i) free and clear of any Lien created by, through or under the Lessor other than Permitted Liens or Liens created at the request of or as a result of the actions of the Lessee or anyone acting by, through or under the Lessee, or a result of the failure of the Lessee or the Guarantor to carry out any of their obligations under this Lease or the other Operative Documents (individually and collectively, as the context shall require, the "Lessor Liens"), and (ii) without recourse, representation or warranty of any nature whatsoever (except as to the absence of such Liens as aforesaid).

(b) Whenever the Lessee has the right to purchase or transfer to itself the Facility pursuant to any provision of this Lease, the Lessee may cause such purchase to be effected by, or such transfer to be effected to, any other Person specified by the Lessee, but in no event shall the Lessee be relieved from any of its obligations hereunder as a result thereof.

(c) Upon any sale or transfer of the Facility pursuant to any provision of this Lease, the Lessee shall pay the expenses of the Lessor, including, without limitation, reasonable attorneys' fees and expenses, in connection with such sale or transfer.

(d) If, on the Lease Termination Date or on the Cancellation Date, as applicable, the Lessee or any of its Affiliates has not elected to acquire the Facility, the Lessee shall surrender the Facility to the Lessor free from all Liens except Permitted Liens (other than those described in clause (ii)(B) of the definition of Permitted Liens), in substantially the same operating condition (except for ordinary wear and tear) with the remaining original estimated useful life contemplated by the Facility Plan intact and having the same capacity and efficiency as the Facility had on the Lease Commencement Date, and in compliance in all material respects with all Governmental Requirements and Insurance Requirements, and free of all Environmental Damages and Environmental Liabilities. To evidence the foregoing and accomplish the surrender of the Facility, the Lessee shall provide the following items (x) in the event of a Termination Event under Section 15(a)(i)(A) within 9 months prior to the Lease Termination Date, with final confirmation of the same at least 30 days but not more than 60 days prior thereto and (y) in the event of a Termination Event under Section 15(a)(i)(B), as soon as practicable but in any event at least 3 Business Days prior to the Lease Termination Date or Cancellation Date, as applicable, all to be held until the Lease Termination Date or Cancellation Date:

(i) evidence satisfactory to the Lessor that all Applicable Permits, Related Contracts, and all other rights and services reasonably required to operate the Facility have been, or on or prior to the Lease Termination Date shall be, transferred to the Lessor (or the Lessor has been, or on or prior to the Lease Termination Date or Cancellation Date, as applicable, shall be, given the right to use each such item) and can be transferred to (or used by) any successor or assignee of the Lessor without further consent or approval by any Person (subject only to normal Governmental Requirements);

(ii) conveyancing, assignment, transfer, termination and other documents that, in the sole discretion of the Lessor and the Lease Participants, are sufficient to (A) vest in the Lessor (which it holds for itself and in trust for the Lease Participants) good and marketable title to the Facility, free and clear of all Liens except Permitted Liens (other than those described in clause (ii)(b) of the definition of Permitted Liens) and (B) terminate the rights of the Lessee and all other Persons in and to the Facility;

(iii) evidence satisfactory to the Lessor that the Facility has been operated and maintained substantially in accordance with the requirements of the Operative Documents, all Governmental Requirements, all Applicable Permits and prudent industry practices;

(iv) evidence satisfactory to the Lessor that the Facility is being used solely for the Permitted Use and is operating substantially in accordance with the requirements set forth in the Facility Plan, meets or exceeds the original design specifications and is capable of operating and being used for the Permitted Use as set forth in the Facility Plan, and has the remaining original estimated useful life contemplated by the Facility Plan;

(v) evidence satisfactory to the Lessor, in its sole discretion, that (A) Lessee has complied with its obligations under Section 8.30 of the Investment Agreement, (B) all agreements and arrangements to provide the services and rights contemplated by Section 8.30 of the Investment Agreement are in place, executed by the parties thereto, and are valid, enforceable and in full force and effect on or before the Lease Termination Date or Cancellation Date, as applicable and (C) such agreements and arrangements adequately provide for the services and other rights contemplated by Section 8.30 of the Investment Agreement;

(vi) an updated Phase I Environmental Assessment; and

(vii) such other documents, instruments, assessments, investigations, legal opinions, surveys and other items as the Lessor may reasonably request to evidence to the satisfaction of each of the Lessor and the Lease Participants (in each case, in their sole discretion) that (A) the Lessor has all Property, services, Permits, assets and rights necessary to own, operate and maintain the Facility from and after the Lease Termination Date or Cancellation Date, as applicable, and (B) no Default, Loss Event or Casualty Occurrence then exists.

(e) To the extent the Facility is not in the condition required by Section 16(d), the Lessee will pay to the Lessor such additional amounts as are reasonably required to place it in compliance. The Lessee shall also pay all costs and expenses relating to the surrender and clean-up in connection with the surrender of the Facility as may be required by Governmental Requirements or Insurance Requirements or which are otherwise necessary to prevent or remedy any Environmental Damages or Environmental Liabilities or to consummate the delivery of possession of the Facility to the Lessor hereunder.

Section 17. Events of Default and Remedies.

(a) Each of the following acts or occurrences shall constitute a "Lease Event of Default" hereunder:

(i) default in the payment of the Purchase Price or the Termination Value on the Cancellation Date or the Purchase Closing Date, as applicable, or in the payment of the Purchase Price or the Final Rent Payment, as applicable, on the Lease Termination Date; or the default in the payment when due of any Basic Rent and the continuance of such default for 5 Business Days thereafter; or the default in the payment when due of any Supplemental Rent, the amount of any Indemnified Risk or any other amount due hereunder or under any other Operative Document and the continuance of such default for 30 days thereafter; or

(ii) any representation or warranty made or deemed made by the Lessee herein shall be false or misleading in any material respect on the date made or deemed made; or

(iii) an Event of Default under the Investment Agreement (other than a Limited Recourse Event of Default);

(iv) the Lessee shall fail to observe or perform any covenant or agreement contained in Sections 12, 26 and 27 of this Lease; or

(v) the Lessee shall fail to observe or perform any covenant or agreement contained (other than those covered by subsections (i) or (iv) above), and such failure shall not have been cured within 10 days, with respect to any covenant contained in Section 14 of this Lease, and 30 days, with respect to any other provision hereof, after the earlier to occur of (A) written notice thereof has been given to the Lessee by the Lessor (acting, in accordance with Section 9.02(a) of the Investment Agreement, of its own accord or at the request of the Majority Funding Parties) or (B) the chief financial, chief operating, chief legal or chief accounting officer of the Lessee or the Guarantor otherwise becomes aware of any such failure; or

(vi) Lessee shall abandon the Facility; provided however that for purposes of this Section 17(a)(vi), the term "abandon" shall not include the mere failure of Lessee to occupy the Facility so long as Lessee continues to perform its obligations hereunder and other Operative Documents including without limitation maintenance of the Facility, maintenance of required insurance, compliance with Governmental Requirements and Insurance Requirements and payment of all Rent.

(b) Subject to Section 9.02 of the Investment Agreement, upon the occurrence and during the continuance of any Lease Event of Default, as determined by the Lessor, the Lessor (acting, in accordance with Section 9.02(a) of the Investment Agreement, of its own accord or at the direction of the Majority Funding Parties) may do any one or more of the following (without prejudice to the obligations of the Lessee under Section 15(b)(i)(A)):

(i) proceed by appropriate judicial proceedings, either at law, in equity or in bankruptcy, to enforce performance or observance by the Lessee of the applicable provisions of this Lease, or to recover damages for the breach of any such provisions, or any other equitable or legal remedy, all as the Lessor shall deem necessary or advisable; and/or

(ii) by notice to the Lessee, either (x) terminate this Lease in accordance with Section 15, whereupon the Lessee's interest and all rights of the Lessee to the use of the Facility shall forthwith terminate subject to the Lessee's rights under such Section 15 to acquire the Facility on the Purchase Closing Date as provided herein, but the Lessee shall remain liable with respect to its obligations and liabilities hereunder; or (y) terminate the Lessee's right to possession of the Facility or any part thereof; and/or

(iii) exercise any and all other remedies available under applicable law or at equity.

(c) After the occurrence and during the continuance of a Cancellation Event or Termination Event, in the event the Lessor elects not to terminate this Lease and the Lessee has not exercised its option under Section 15(c), this Lease shall continue in effect and the Lessor may enforce all of the Lessor's rights and remedies under this Lease, including, without limitation, the right to recover the Basic Rent and Supplemental Rent, and any other yield protection payments and other amounts with respect thereto, as it becomes due under this Lease or any other Operative Documents. For the purposes hereof, the following do not constitute a cancellation or termination of this Lease: (i) acts of maintenance or preservation of the Facility or any part thereof, (ii) efforts by the Lessor to relet the Facility or any part thereof, including, without limitation, termination of any sublease of the Facility and removal of any tenant from the Site, (iii) or the appointment of a receiver upon the initiative of the Lessor to protect the Lessor's interest under this Lease.

(d) If (i) on the Lease Termination Date, the Facility is not acquired by the Lessee or its designee by payment of the Purchase Price, or (ii) on the Cancellation Date, the Lessee or its designee has defaulted in its obligation to acquire the Facility and pay the Purchase Price, or if applicable, the Termination Value, in accordance with Lessee's election under Section 15(b)(ii), then the Lessor shall have the immediate right of possession of the Facility and the right to enter onto the Site and to remove any and all of the Property comprising the Facility, and the Lessor may thenceforth hold, possess and enjoy the Facility free from any rights of the Lessee and any Person claiming by, through or under the Lessee. The Lessor shall be under no liability by reason of any such repossession or the Facility or entry onto the Site.

(e) Should the Lessor elect to repossess the Facility or any part thereof upon cancellation or termination of this Lease or otherwise in the exercise of the Lessor's remedies, the Lessee shall peaceably quit and surrender the Facility or any such part thereof to the Lessor and either (i) deliver possession of the Facility to the Lessor or (ii) allow Lessor or its agents or assigns to enter onto the Facility and the Site to remove any and all of the Property comprising the Facility at the expense of the Lessee, and neither the Lessee nor any Person claiming through or under the Lessee shall thereafter be entitled to possession or to remain in possession of the Facility or any part thereof but shall forthwith peaceably quit and surrender the Facility to the Lessor.

(f) At any time after the repossession of the Facility or any part thereof, whether or not this Lease shall have been cancelled or terminated, the Lessor may (but shall be under no obligation to) relet the Facility or the applicable part thereof without notice to the Lessee, for such term or terms and on such conditions and for such usage as the Lessor in its sole and absolute discretion may determine. The Lessor may collect and receive any rents payable by reason of such reletting, and the Lessor shall not be liable for any failure to relet the Facility or for any failure to collect any rent due upon any such reletting.

(g) The remedies herein provided in case of a Lease Event of Default are in addition to, and without prejudice to, the Lessee's continuing obligations under Section 15(b)(ii), and shall not be deemed to be exclusive, but shall be cumulative and shall be in addition to all other remedies existing at law, in equity or in bankruptcy. The Lessor may exercise any remedy without waiving its right to exercise any other remedy hereunder or existing at law, in equity or in bankruptcy.

(h) No waiver by the Lessor hereunder of any Default or Event of Default shall constitute a waiver of any other or subsequent Default or Event of Default. To the extent permitted by applicable law, the Lessee waives any right it may have at any time to require the Lessor to mitigate the Lessor's damages upon the occurrence of a Default or Event of Default by taking any action or exercising any remedy that may be available to the Lessor, the exercise of remedies hereunder being at the discretion of the Lessor.

Section 18. Change in the Lessee's Name or Structure. The Lessee shall not change its name, identity or corporate structure (including, without limitation, by any merger, consolidation or sale of substantially all of its assets) except to the extent permitted by Section 26(d)(i).

Section 19. Inspection; Right to Enter Premises of the Lessee. The Lessee shall permit, and cause each of its Subsidiaries to permit, the Lessor, the Administrative Agent, any Lease Participant or their respective authorized representatives but without any obligation to do so) to (i) enter upon the Facility at reasonable times upon reasonable advance notice in order to inspect the Facility (subject to compliance with applicable safety requirements of the Lessee and applicable Governmental Requirements) and (ii) examine, audit and make abstracts from any of their respective books and records and to discuss the condition, compliance with Governmental Requirements, performance of the Facility and the respective affairs, finances and accounts of the Lessee with their respective officers and independent accountants. The Lessee agrees to coordinate and assist in such visits and inspections, in each case at such reasonable times and as often as may reasonably be desired.

Section 20. Right to Perform the Lessee's Covenants; The Administrative Agent .

(a) Subject to Section 13, if the Lessee shall fail to make any payment or perform any act required to be made or performed by it hereunder, the Lessor, upon notice to or demand upon the Lessee but without waiving or releasing any obligation or Default or Event of Default, may (but shall be under no obligation to) at any time thereafter make such payment or perform such act for the account and at the expense of the Lessee as, at the Lessor's sole discretion, may be necessary or appropriate therefor and, upon the occurrence and during the continuance of a Cancellation Event or Termination Event, may enter upon the Facility for such purpose and take all such action thereon as, at the Lessor's sole discretion, may be necessary or appropriate therefor. No such entry shall be deemed an eviction of the Lessee. All sums so paid by the Lessor and all costs and expenses (including, without limitation, reasonable attorneys' fees and expenses so incurred) shall be paid by the Lessee to the Lessor on demand as Supplemental Rent.

(b) In accordance with Section 10.02 of the Investment Agreement, Lessee acknowledges and agrees that the Administrative Agent has been appointed to undertake, on Lessor's and, in certain cases, the Lease Participants' behalf, certain actions with respect to the administration of this Lease, the other Operative Documents, and the transactions contemplated herein and therein. Lessee agrees to abide by the provisions of Section 10.02 of the Investment Agreement and other provisions in the Operative Documents in respect of the Administrative Agent's role and function in connection with the administration of the transactions contemplated therein, including, without limitation, the payment of Rent and other amounts owing under the Operative Documents directly to the Administrative Agent for the account of the Lessor and the Lease Participants, as applicable, the receipt and delivery of notices, reports, financial statements, and the like to the Administrative Agent on the Lessor's and the Lease Participants' behalf, and permitting, where applicable, the Administrative Agent to exercise, on the Lessor's and the Lease Participants' behalf, the rights and remedies afforded Lessor under the Operative Documents.

Section 21. Participation by Co-Lessees or Sublessees .

(a) Except as otherwise permitted in this Section 21 or (with respect to the Lessor) Section 11.06(b)(i) of the Investment Agreement, neither the Lessor nor the Lessee may assign its rights or obligations under this Lease without the prior consent of all of the Lease Participants. The Lessor holds the Lien under this Lease for itself and in trust for the Lease Participants. The Lessor, acting on behalf of itself and the Lease Participants, shall be entitled to exercise all of the rights, remedies, powers and privileges herein conferred upon Lessor (including, without limitation, in any bankruptcy proceeding), to give or withhold all consents required to be obtained from the Lessor hereunder, to give all notices on behalf of the Lessor including notices regarding Rent, the Final Rent Payment, and Supplemental Rent due hereunder, to receive all payments to be made to the Lessor hereunder and to approve any sale of the Facility pursuant to Section 15 to a Person other than the Lessee or any designee of the Lessee or for a price less than the Termination Value; provided, however, that nothing herein shall be deemed to be a waiver or relinquishment of the right of the Lessor to receive Supplemental Rent for its out of pocket costs and expenses as described in Section 3(c)(i) or to be indemnified for any matter for which Lessor is entitled to indemnification hereunder. Lessee acknowledges and agrees that certain of Lessor's and, in certain cases, the Lease Participants' rights and duties under this and the other Operative Documents may be enforced or performed, as applicable, by the Administrative Agent on behalf of the Lessor or the Lease Participants, as further described herein and in Section 10.02 of the Investment Agreement.

(b) The Lessor and the Lessee may from time to time, so long as no Cancellation Event or Termination Event shall have occurred and be continuing, enter into documentation amending this Lease and, as necessary, the other Operative Documents, to evidence the undertaking of a Person (a "Co-Lessee") to be responsible for all or certain obligations of the Lessee and the attendant reduction in the obligations of the Lessee hereunder, subject in every case to (i) the prior written approval of the Lessor and each Lease Participant, each acting in its sole discretion in approving said Co-Lessee and the documentation amending this Lease and the Operative Documents, it being understood that any of the Lessor or the Lease Participants may for any reason whatsoever elect not to grant such approval, in which case this Lease shall not be amended; (ii) such documentation expressly stating that such assignment is subject and subordinate to the terms of this Lease and the Liens created by the Security Instruments; and (iii) the Lessee remaining primarily liable for all obligations of the tenant of the Facility under this Lease. Any assignment made otherwise than as expressly permitted by this Section 21(b) shall be null and void and of no force and effect.

(c) Subject to the conditions set forth herein, the Lessee may, from time to time, so long as no Default, Event of Default, Cancellation Event or Termination Event shall have occurred and be continuing, enter into a sublease as to the Facility and such other related documentation as may be necessary with one or more Persons (each a "Sublessee"). In any event, any documentation executed by the Lessee in connection with the subletting of the Facility (i) shall expressly state that such sublease is subject and subordinate to the terms of this Lease and the Liens created by the Security Instruments and (ii) shall not provide for a sublease term ending after the then current Scheduled Lease Termination Date; provided, however, so long as there are no more than ten (10) subleases affecting in the aggregate a maximum of 89,250 square feet of the Facility, each sublease may have a term ending after the then current Scheduled Lease Termination Date (but in no event may any sublease have an initial term of longer than eleven (11) years). Any proposed sublease which does not meet the criteria set forth in clauses (i) and (ii) above shall be subject to the review and approval of the Lessor (but not of the other Lease Participants) in its sole discretion. All subleases must be on market terms. The Lessee will furnish promptly to the Lessor copies of all subleases and related documentation entered into by the Lessee from time to time. No sublease permitted by the terms hereof will reduce in any respect the obligations of the Lessee hereunder, it being the intent of the Lessee and the Lessor that the Lessee be and remain directly and primarily liable as a principal for its obligations hereunder. Any sublease made otherwise than as expressly permitted by this Section 21(c) shall be null and void and of no force or effect.

Section 22. Notices. Except as otherwise provided herein, all notices, requests and other communications provided for hereunder shall be in writing (including telecopier and other readable communication) and mailed by certified mail, return receipt requested, telecopied or otherwise transmitted or delivered, if to the Lessee, at 2801 Highway 280 South, Birmingham, Alabama 35223, Attention: Lance Black, Telecopier: 205-268-3642, E-mail: lance.black@protective.com; if to the Lessor, at Wachovia Development Corporation, c/o Wells Fargo Securities, 550 South Tryon Street, MAC D1086-051, Charlotte, North Carolina 28202, Attention: Jack Altmeyer, Telecopier: 704-410-0233, E-mail: jack.altmeyer@wellsfargo.com or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, if so mailed, telecopied or otherwise transmitted, be effective when received, if mailed, or when the appropriate answer back or other evidence of receipt is given, if telecopied or otherwise transmitted, respectively. Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopier number specified in this Section and the confirmation is received, (ii) if given by mail, 72 hours after such communication is deposited in the mails with first class postage prepaid, addressed as aforesaid or (iii) if given by any other means, when delivered at the address specified in this Section; provided, that notices to the Lessor under Section 3 shall not be effective until received. A notice received by the Lessor by telephone shall be effective if the Lessor believes in good faith that it was given by an authorized representative of the Lessee and acts pursuant thereto, notwithstanding the absence of written confirmation or any contradictory provision thereof. In accordance with Section 10.02 of the Investment Agreement, Lessor and Lessee agree that notice delivered by the Lessee to the Administrative Agent shall constitute constructive receipt thereof by Lessor and that notice delivered by the Administrative Agent shall constitute in all respects notice delivered by the Lessor.

Section 23. Amendments and Waivers. The provisions of this Lease may from time to time be amended, modified or waived only if such amendment, modification or waiver is in writing and consented to by the Lessee and the Lessor (with the consent of the requisite Funding Parties and the Administrative Agent, as required by the Investment Agreement).

Section 24. Severability. Any provision of this Lease which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

Section 25. Federal Income Tax Considerations. It is the understanding of the parties that for income tax purposes this transaction will be treated as a financing and the Lessee will be treated as the owner of the Facility; and the Lessee and the Lessor agree not to take any action inconsistent with such treatment, subject to the following sentence. Notwithstanding anything in this Section to the contrary, the Lessor retains the right to assert that it is the owner of the Facility subject to this Lease for income tax purposes in the event that there is a determination (within the meaning of Section 1313 of the Internal Revenue Code of 1986, as amended, or with respect to state or local income tax, a comparable determination under state or local law) that the Lessee is not to be treated as the owner of the Facility.

Section 26. Other Provisions.

(a) In order to protect the rights and remedies of the Lessor and the Lessee both during the term of this Lease and following a Default, an Event of Default, a Termination Event or a Cancellation Event, and for the purposes of Federal, state and local income and taxes, ad valorem taxes, state and local sales taxes, documentary stamp and intangible taxes and other taxes relating to or assessable as a result of the execution, delivery or recording of any of the Operative Documents and for purposes of commercial law and Title 11 of the United States

Code (or any other applicable Federal, state or local insolvency, reorganization, moratorium, fraudulent conveyance or similar law now or hereafter in effect for the relief of debtors), the parties hereto intend that:

(i) this Lease be treated as evidence of and the agreement of the Lessee for the repayment of the Secured Amount (as hereafter defined);

(ii) all payments of Rent, the Purchase Price and the Termination Value be treated as payments of principal, interest and other amounts owing with respect to the Loan (as hereafter defined), respectively;

(iii) the Lessee should be treated as entitled to all benefits of ownership of the Facility or any part thereof; and

(iv) this Lease be treated as (A) a mortgage (this Lease, as so treated, is the " Mortgage") from Lessee, as mortgagor, to the Lessor, as mortgagee, on that part of the Facility constituting real property and is made under those provisions of the existing laws of the State of Alabama relating to mortgages and that the Lessee, as mortgagor and grantor, hereby irrevocably grants, bargains, sells, conveys, assigns, transfers, mortgages and sets over unto the Lessor, as mortgagee and grantee, for the use and benefit of itself and in trust for the Lease Participants, Lessee's right, title and interest in and to any real property of any kind or character comprising the Facility (including the Lessee's sub-leasehold interest in the Site and all estates, easements, and rights, and its interest in all fixtures and Improvements) and all proceeds therefrom, to have and to hold said real property and all parts, rights, members and appurtenance thereof to the use, benefit and behoof of the Lessor, for the use and benefit of itself and in trust for the Lease Participants, in fee simple forever (as to the fixtures and Improvements) and Lessee covenants that Lessee is lawfully seized and possessed of the aforesaid real property and has good right to convey its interest in the same, that the same is unencumbered except for the Permitted Liens and that Lessee does warrant and will forever defend title thereto against the claims of all persons whomsoever; and (B) a security agreement from the Lessee, as debtor, to the Lessor, as secured party, encumbering the Lessee's right, title and interest in the Facility, including the Lessee's subleasehold and leasehold interest, and all personal property comprising the Facility, and that the Lessee, as debtor, hereby grants to the Lessor, for the use and benefit of the Lessor and in trust for the Lease Participants, as beneficiaries, as secured parties (collectively, the "Secured Party") a first and prior Lien on and security interest in the equipment and any and all other personal property of any kind or character and fixtures comprising the Facility (including all Related Contracts, excluding "Excluded Equipment," as defined in Section 6 hereof), and all proceeds therefrom, in each case being effective as of the date of this Lease. In such event, the Lessor shall have all of the rights, powers and remedies of a mortgagee and a secured party available under applicable law, including, without limitation, judicial or nonjudicial foreclosure or power of sale, as and to the extent available under applicable law.

(b) The amounts secured by this Mortgage shall be as follows (collectively, the " Secured Amount"):

(i) the collective amount of the aggregate Unrecovered Lessor Investments and unpaid Yield, plus any other amounts owing to the Lessor or the Lease

Participants under the Operative Documents (including, without limitation, Supplemental Rent, the Final Rent Payment, and all indemnification amounts);

(ii) the portion of the Facility Cost funded by the Lessor representing an aggregate indebtedness in the amount of $75,000,000.00 (the "Loan");

(iii) all future advances of the Loan (if any) which may be made after the date hereof to the same extent as if such future advances were made on the date of the execution of this Mortgage, although there may be no advance made on the date of the execution of this Mortgage, and although there may be no indebtedness outstanding under the Loan or under any other indebtedness of Lessee to Lessor at the time this Mortgage is executed or at the time any advance is made under the Loan or under any other indebtedness of Lessee to Lessor. The parties hereby acknowledge and intend that all advances under the Loan, including future advances (if any) whenever hereafter made, shall be secured by this Mortgage and, to the extent allowed by law, have priority from the time this Mortgage is recorded; and

(iv) any and all additional advances made by the Lessor or the Secured Party to protect or preserve the Collateral (as hereinafter defined) or the lien hereof on the Collateral, or for taxes, assessments or insurance premiums as hereinafter provided (whether or not the original Lessee remains the owner of the Collateral at the time of such advances).

(c) The filing of this Lease shall be deemed to constitute the filing of a mortgage and the filing of any financing statement in connection with this Lease shall be deemed to constitute the filing of a financing statement to perfect the mortgage lien and security interests in the Facility as aforesaid and to secure the payment of the Secured Amount. If this transaction is treated as a financing, the obligation arising hereunder shall be with full recourse to the Lessee and shall not be treated as recourse only to the Facility. To the fullest extent permitted by applicable law, the Lessor and the Lessee intend that the Facility (other than the real property constituting the Site) be and remain at all times personal property regardless of the manner or extent to which any of the Facility (other than the real property constituting the Site) may be attached or affixed to any real property. Except as required by applicable law, the Lessee shall not under any circumstances take any action or make any filing or recording which would cause the Facility (other than the real property constituting the Site) to be deemed to be real property or permit any Person to obtain any interest in the Facility (other than the real property constituting the Site) as a result of the Facility (other than the real property constituting the Site) being deemed to be in whole or in part real property.

(d) In order to preserve the security interest provided for herein, each of the Lessor and the Lessee agrees to abide by the following provisions with regard to the Facility (for purposes of this Section, hereinafter referred to as " Collateral"):

(i) Change in Location of Collateral or the Lessee. The Lessee will (A) notify the Secured Party on or before the date of any change in (1) the location of the Collateral, (2) the location of Lessee's chief executive office or address, (3) the name of the Lessee, or (4) the corporate structure of the Lessee, and (B) on or before the date of any such change, prepare and file new or amended financing statements as necessary so that the Secured

Party shall continue to have a first and prior perfected Lien (subject only to Permitted Liens) in the Collateral after any such change.

(ii) Sale, Disposition or Encumbrance of Collateral. Except as set forth herein and for Permitted Liens, as permitted by any of the Operative Documents or with the Secured Party's prior written consent, the Lessee will not in any way encumber any of the Collateral (or permit or suffer any of the Collateral to be encumbered) or sell, assign, lend, rent, lease or otherwise dispose of or transfer any of the Collateral to or in favor of any Person other than the Secured Party.

(iii) Proceeds of Collateral. Except as permitted by any of the Operative Documents, the Lessee will deliver to the Secured Party promptly upon receipt all proceeds delivered to the Lessee from the sale or disposition of any Collateral. This Section shall not be construed to permit sales or dispositions of the Collateral except as may be elsewhere expressly permitted by this Lease or the other Operative Documents.

(iv) Further Assurances. Upon the request of the Secured Party, Lessee shall (at Lessee's expense) execute and deliver all such mortgages, deeds of trust, deeds to secure debts, assignments, certificates, financing statements or other documents and give further assurances and do all other acts and things as the Secured Party may reasonably request to perfect the Secured Party's interest in the Collateral or to protect, enforce or otherwise effect the Secured Party's rights and remedies hereunder, all in form and substance satisfactory to the Secured Party.

(v) Collateral Attached to Other Property. In the event that any of the Collateral is removed from the Facility and is to be attached or affixed to any real property, the Lessee hereby agrees that a financing statement which is a fixture filing may be filed for record in any appropriate real estate records. If the Lessee is not the record owner of such real property, it will provide the Secured Party with any additional security documents or financing statements necessary for the perfection of the Secured Party's Lien in the Collateral, as requested by the Secured Party.

(vi) Secured Amount. Should the Secured Amount be paid according to the tenor and effect thereof when the same becomes due and payable hereunder, and should Lessee perform all covenants contained in the Operative Documents in a timely manner, then this Mortgage shall be cancelled and surrendered.

(vii) Lease. The Lease will not be amended, supplemented or modified without the written consent of the Secured Party. All payments under the Lease shall be made only to such account as specified by the Secured Party.

Section 27. Receiver and Mortgage Remedies. If an Event of Default (other than a Limited Recourse Event of Default) shall have occurred and be continuing, the Lessor (acting, in accordance with Section 9.02(a) of the Investment Agreement, of its own accord or at the direction of the Majority Funding Parties (subject to the provisions of Section 9.02(d) of the Investment Agreement)), may exercise any one or more of the remedies set forth below (all or any of which may be undertaken by the Administrative Agent at the request or direction of the

Lessor or the Lease Participants and in the name of or on behalf of the Lessor and the Lease Participants, as applicable):

(a) the Lessor may demand, and upon such demand, the Lessee shall forthwith surrender to the Lessor, the actual possession of the Collateral and if, and to the extent, permitted by applicable law and the Operative Documents, the Lessor itself, or by such officers or agents as it may appoint, may enter and take possession of all the Collateral without the appointment of a receiver, or an application therefor, and may exclude the Lessee and its agents and employees wholly therefrom, and may have joint access with the Lessee to the books, papers and accounts of the Lessee pertaining to the Collateral. If the Lessee shall for any reason fail to surrender or deliver the Collateral or any part thereof after such demand by the Lessor, the Lessor may obtain a judgment or decree conferring upon the Lessor the right to immediate possession or requiring the Lessee to deliver immediate possession of the Collateral to the Lessor, to the entry of which judgment or decree the Lessee hereby specifically consents. Upon every such entering upon or taking of possession, the Lessor may hold, store, use, operate, manage and control the Collateral and conduct the business thereof, and, from time to time (i) make all necessary and proper maintenance, repairs, renewals, replacements, additions, betterments and improvements thereto and thereon and purchase or otherwise acquire additional fixtures, personalty and other property; (ii) insure or keep the Collateral insured; (iii) manage and operate the Collateral and exercise all the rights and powers of the Lessee to the same extent as the Lessee could in its own name or otherwise with respect to the same; and (iv) enter into any and all agreements with respect to the exercise by others of any of the powers herein granted the Lessor, all as the Lessor from time to time may determine to be in its best interest. The Lessor may collect and receive all the rents, issues, profits and revenues from the Collateral, including those past due as well as those accruing thereafter, and, after deducting (A) all expenses of taking, holding, managing and operating the Collateral (including compensation for the services of all persons employed for such purposes); (B) the cost of all such maintenance, repairs, renewals, replacements, additions, betterments, improvements, purchases and acquisitions; (C) the cost of such insurance; (D) such taxes, assessments and other similar charges as the Lessor may at its option pay; (E) other proper charges upon the Collateral or any part thereof; and (F) the reasonable compensation, expenses and disbursements of the attorneys and agents of the Lessor, the Lessor shall apply the remainder of the monies and proceeds so received by the Lessor in accordance with the terms of this Lease. Anything in Sections 26 and 27 to the contrary notwithstanding, the Lessor shall not be obligated to discharge or perform the duties of a landlord to any tenant or incur any liability as a result of the exercise by the Lessor of its rights under this Mortgage, and the Lessor shall be liable to account only for the rents, income, issues, profits and revenues actually received by the Lessor. Whenever all that is due upon such interest, deposits and principal installments and under any of the terms, covenants, conditions and agreements of this Mortgage, shall have been paid and all Events of Default made good, the Lessor shall surrender possession of the Collateral to the Lessee, its successors or assigns. The same right of taking possession, however, shall exist if any subsequent Event of Default (other than a Limited Recourse Event of Default) shall occur and be continuing. In connection with any action taken by the Lessor pursuant to this Section 27, the Lessor shall not be liable for any loss sustained by the Lessee resulting from any act or omission of the Lessor in administering, managing, operating or controlling the Collateral, including a loss arising from the ordinary negligence of the Lessor, unless such loss is caused by its own gross negligence, willful misconduct or bad faith, or the gross negligence, willful misconduct or bad faith of its officers, directors, employees, agents or contractors, nor shall the Lessor be obligated to perform or discharge any obligation, duty or liability of the Lessee. The Lessee hereby assents to, ratifies and confirms any and all actions of the Lessor with respect to the Collateral taken under Section 26 or Section 27.

(b) The Lessor, upon application to a court of competent jurisdiction, shall be entitled as a matter of strict right without notice and without regard to the occupancy or value of any security for the Secured Amount secured hereby or the solvency of any party bound for its payment, to the appointment of a receiver to take possession of and to operate the portion of the Facility constituting real property (the " Real Property") and to collect and apply the rents, issues, profits and revenues thereof. The receiver shall have all of the rights and powers permitted under the laws of the State of Alabama. Lessee will pay to Lessor upon demand all expenses, including receiver's fees, attorney's fees, costs and agent's compensation, incurred pursuant to the provisions of Section 26 or Section 27; and all such expenses shall be secured hereby. Lessee agrees to the full extent permitted by law, that in case of an Event of Default on the part of Lessee, neither Lessee nor anyone claiming through or under it shall or will set up, claim or seek to take advantage of any appraisement, valuation, stay, extension, homestead, exemption or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure hereunder, or the absolute sale of the interests of Lessee in the Real Property, or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereat, and Lessee, for itself and all who may at any time claim through or under it, hereby waives to the full extent that it may lawfully so do, the benefit of all such laws, and any and all right to have the assets comprised in the security intended to be created hereby marshalled upon any foreclosure of the lien hereof.

(c) Lessor shall have the option (in addition to and in furtherance of Lessor's rights under Sections 26 and 27), to proceed with foreclosure in any manner permitted by the laws of the State of Alabama, including judicial foreclosure through the courts or by foreclosure under the power of sale as provided in this Mortgage with or without declaring the whole Secured Amount secured hereby due.

(d) Lessor shall be authorized, at its option, whether or not possession of the Real Property is taken, after giving notice by publication once a week for three consecutive weeks of the time, place and terms of each such sale (including a description of the Real Property or part thereof to be sold), by publication in a newspaper published in any county wherein the Real Property or any part thereof is located, to sell the Real Property (or such part or parts thereof as Lessor may from time to time elect to sell) in front of such county's courthouse door, at public outcry, to the highest bidder for cash, such sale or sales to be held between the hours of 11:00 a.m. and 4:00 p.m. unless otherwise provided by law. Lessor, its successors and assigns, may bid at any sale or sales had under the terms hereof and may purchase the Real Property or any such part thereof, if the highest bidder therefor. The purchaser at any such sale or sales shall be under no obligation to see to the proper application of the purchase money. At any foreclosure sale, any part or all of the Real Property, real, personal or mixed, may be offered for sale in parcels or en masse for one total price, the proceeds of any such sale en masse to be accounted for in one account without distinction between the items included therein or without assigning to them any proportion of such proceeds, Lessee hereby waiving the application of any doctrine of marshalling or like proceeding. In case Lessor, in the exercise of the power of sale herein given, elects to sell the Real Property in parts or parcels, sales thereof may be held from time to time, and the power of sale granted herein shall not be fully exercised until all of the Real Property not previously sold shall have been sold or all the Secured Amount secured hereby shall have been paid in full.

(e) Lessee hereby authorizes and empowers Lessor or the auctioneer at any foreclosure sale had hereunder, for and in the name of Lessee, to execute and deliver to the purchaser or purchasers of any of the Real Property sold at foreclosure good and sufficient deeds of conveyance or bills of sale thereto.

(f) Lessor, in lieu of or in addition to exercising the power of sale hereinabove given, may proceed by suit to foreclose its lien on, security interest in, and assignment of, the Real Property, subject to the limitations, if any, set out herein, in the Investment Agreement, or in any other Operative Documents to sue Lessee for damages on account of or arising out of said Event of Default or breach, or for specific performance of any provision contained herein, or to enforce any other appropriate legal or equitable right or remedy.

(g) The Lessor may, in addition to and not in abrogation of the rights covered under Sections 26 and 27, (i) exercise all rights, powers and remedies of the Lessee under this Lease and the Related Contracts, and the Lessee and any other party to any of the Related Contracts hereby is authorized and directed to render performance to and act upon the instructions of the Lessor, (ii) with respect to any personal property constituting part of the Collateral, exercise all rights, powers and remedies of a secured party under the Uniform Commercial Code as adopted in Alabama, and (iii) either with or without entry or taking possession as herein provided or otherwise, proceed by a suit or suits in law or in equity or by any other appropriate proceeding or remedy (A) to enforce payment and performance of the Secured Amount or the performance of any term, covenant, condition or agreement of this Lease or any other right and (B) to pursue any other remedy available to it, all as the Lessor at its sole discretion shall elect.

(h) The proceeds of any sale or other exercise of rights or remedies pursuant to this Section 27 shall be paid over to the Administrative Agent, on Lessor's and the Lease Participants' behalf, and applied in accordance with Section 3.05(c) of the Investment Agreement.

(i) In the event of any such foreclosure sale, Lessee shall be deemed a tenant holding over and shall forthwith deliver possession to the purchaser or purchasers at such sale or be summarily dispossessed according to provisions of law applicable to tenants holding over.

(j) The Lessee agrees to the full extent permitted by law, that in case of the occurrence of an Event of Default, neither the Lessee nor anyone claiming through or under it shall or will set up, claim or seek to take advantage of any appraisement, valuation, stay, extension, homestead, exemption or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement or foreclosure of this Mortgage, or the absolute sale of the Collateral or the final and absolute putting into possession thereof, immediately after such sale, of the purchasers thereat, and the Lessee, for itself and all who may at any time claim through or under it, hereby waives to the full extent that it may lawfully so do, the benefit of all such laws, and any and all right to have the assets comprised in the security intended to be created hereby marshalled upon any foreclosure of the lien hereof.

(k) The Lessee hereby waives and renounces to the full extent permitted by law all homestead and exemption rights provided for by the Constitution and the laws of the United States and of any state, in and to the Collateral as against the collection of the Secured Amount, or any part hereof.

(l) The Lessor, at its option, is authorized to foreclose this Mortgage in equity, subject to the rights of any tenants of the Collateral, and the failure to make any such tenants parties to any such foreclosure proceedings and to foreclose their rights will not be, nor be asserted to be by Lessee, a defense to any proceedings instituted by the Lessor to collect the Secured Amount.

(m) In case the Lessor shall have proceeded to enforce any right, power or remedy under this Mortgage by foreclosure, entry or otherwise or in the event the Lessor commences advertising of the intended exercise of the sale under power provided hereunder, and such proceeding or advertisement shall have been withdrawn, discontinued or abandoned for any reason, or shall have been determined adversely to the Lessor, then in every such case (i) the Lessee and the Lessor shall be restored to their former positions and rights, (ii) all rights, powers and remedies of the Lessor shall continue as if no such proceeding had been taken, including those with respect to each and every Event of Default declared or occurring prior or subsequent to such withdrawal, discontinuance or abandonment and (iii) neither this Mortgage, nor the Secured Amount, nor any other instrument concerned therewith, shall be or shall be deemed to have been reinstated or otherwise affected by such withdrawal, discontinuance or abandonment; and the Lessee hereby expressly waives the benefit of any statute or rule of law now provided, or which may hereafter be provided, which would produce a result contrary to or in conflict with the above.

(n) No right, power or remedy conferred upon or reserved to the Lessor by this Mortgage is intended to be exclusive of any other right, power or remedy, but each and every such right, power and remedy shall be cumulative and concurrent and shall be in addition to any other right, power and remedy given hereunder or now or hereafter existing at law or in equity or by statute.

(o) If the Lessor (i) grants forbearance or an extension of time for the payment of any sums secured hereby; (ii) takes other or additional security for the payment of any sums secured hereby; (iii) waives or does not exercise any right granted herein or in the Operative Documents; (iv) releases any part of the Collateral from the lien of this Mortgage or otherwise changes any of the terms, covenants, conditions or agreements of this Mortgage or any other Operative Document; (v) consents to the filing of any map, plat or replat affecting the Collateral; (vi) consents to the granting of any easement or other right affecting the Collateral; or (vii) makes or consents to any agreement subordinating the lien hereof, any such act or omission shall not release, discharge, modify, change or affect the original liability under this Mortgage or any other of the Operative Documents or any other obligation of the Lessee or any subsequent purchaser of the Collateral or any part thereof, or any maker, co-signer, endorser, surety or guarantor; nor shall any such act or omission preclude the Lessor from exercising any right, power or privilege herein granted or intended to be granted in the event of any default then made or of any subsequent default; nor, except as otherwise expressly provided in an instrument or instruments executed by the Lessor, shall the lien of this Mortgage be altered thereby. In the event of the sale or transfer by operation of law or otherwise of all or any part of the Collateral, the Lessor, without notice, is hereby authorized and empowered to deal with any such vendee or transferee with reference to the Collateral or the Secured Amount secured hereby, or with reference to any of the terms, covenants, conditions or agreements hereof, as fully and to the same extent as it might deal with the original parties hereto and without in any way releasing or discharging any liabilities, obligations or undertakings.

(p) The Lessor shall have power (i) to institute and maintain such suits and proceedings as it may deem expedient to prevent any impairment of the Collateral by any acts which may be unlawful or any violation of this Mortgage, (ii) to preserve or protect its interest in the Collateral and in the rents, issues, profits and revenues arising therefrom, and (iii) to restrain the enforcement of or compliance with any legislation or other governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security hereunder or be prejudicial to the interest of the Lessor.

(q) In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other proceedings affecting the Lessee, its creditors or its property, the Lessor, to the extent permitted by law, shall be entitled to file such proofs of claim and other documents as may be necessary or advisable in order to have the claims of the Lessor allowed in such proceedings for the entire amount due and payable by the Lessee under this Mortgage at the date of the institution of such proceedings and for any additional amount which may become due and payable by the Lessee hereunder after such date.

Section 28. Miscellaneous.

(a) ENTIRE AGREEMENT. THIS LEASE AND THE OTHER OPERATIVE DOCUMENTS EMBODY THE ENTIRE AGREEMENT AND UNDERSTANDING BETWEEN THE LESSEE AND THE LESSOR AND SUPERSEDE ALL OTHER AGREEMENTS AND UNDERSTANDINGS BETWEEN SUCH PARTIES RELATING TO THE SUBJECT MATTER HEREOF. THIS WRITTEN LEASE AND THE OTHER OPERATIVE DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

(b) Interpretation. Captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

(c) GOVERNING LAW; SUBMISSION TO JURISDICTION. THIS LEASE AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HERETO RELATING TO THE FACILITY SHALL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING SECTION 5-1401 OF THE

NEW YORK GENERAL OBLIGATIONS LAW (OR ANY SIMILAR SUCCESSOR PROVISION THERETO) BUT EXCLUDING ALL OTHER CONFLICT-OF-LAWS RULES; EXCEPT THAT, TO THE EXTENT REQUIRED BY THE LAWS OF THE STATE IN WHICH THE FACILITY IS LOCATED, THE LAWS OF THE STATE OF ALABAMA SHALL GOVERN (I) THE CREATION AND EXISTENCE OF THIS LEASE, (II) SECTIONS 26 AND 27 OF THIS LEASE, AND (III) THE ENFORCEMENT OF THE RIGHTS OF LESSOR TO REPOSSESS THE FACILITY FROM LESSEE AFTER THE EARLIER OF THE TERMINATION OF THIS LEASE OR THE TERMINATION OF LESSEE'S RIGHT TO POSSESSION OF THE FACILITY.

(d) No Third Party Beneficiaries. Nothing in this Lease, express or implied, shall give to any Person, other than the parties hereto and the Lease Participants and their respective successors and permitted assigns, any benefit or any legal or equitable right, remedy or claim under this Lease including, without limitation, under any provision of this Lease regarding the priority or application of any amounts payable hereunder.

(e) Counterparts. This Lease may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

(f) WAIVER OF JURY TRIAL. EACH OF THE PARTIES HERETO WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR TO DEFEND ANY RIGHTS UNDER THIS LEASE OR UNDER ANY AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR ARISING FROM ANY RELATIONSHIP EXISTING IN CONNECTION WITH THIS LEASE, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.

(g) Invalidity. In the event that any one or more of the provisions contained in this Lease shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of the Lease.

(h) Usury. Notwithstanding anything to the contrary contained in this Lease or any of the Operative Documents, the amounts which the Lessee is obliged to pay pursuant to this Lease and the other Operative Documents, and the amounts which the Lessor and the Lease Participants are entitled to receive pursuant to this Lease and the other Operative Documents, are subject to the limitations set forth in Section 11.15 of the Investment Agreement.

(i) Time is of the Essence. Time is of the essence in connection with the payment of Rent and all other amounts payable hereunder and the performance of the Lessee's other obligations hereunder.

(j) Lessor Recourse. No recourse shall be had against the Lessor or the Administrative Agent or their successors and assigns and their directors, officers, shareholders, employees or agents for any claim based on any failure by the Lessor or the Administrative

Agent in the performance or observance of any of the agreements, covenants or provisions contained in this Lease or any other Operative Documents; and in the event of any such failure, recourse shall be had solely against the rights and interests of the Lessor in the Facility; provided, that the foregoing shall not relieve (i) any such director, officer or employee of personal liability for his or her fraud or intentional misconduct or (ii) Lessee from its obligation not to create or permit the existence of "Lessor Liens," as defined in Section 16(a)(i) hereof.

(k) Amendment and Restatement. This Lease constitutes an amendment and restatement of the Original Lease Agreement and does not constitute any new estate or leasehold interest in the Facility in favor of Lessee, but rather an amendment and restatement of the terms and conditions of Lessee's continuing leasehold interest under the Original Lease Agreement.

[Signatures on following pages.]

IN WITNESS WHEREOF, the parties have caused this Lease to be executed by their respective officers thereunto duly authorized as of the date first above written.

LESSEE:

PROTECTIVE LIFE INSURANCE COMPANY, a Tennessee corporation

By: ________________________________
Name: ________________________________
Title: ________________________________

Mailing Address:

Protective Life Insurance Company
2801 Highway 280 South
Birmingham, Alabama 35223
Attention: Lance Black
Telecopier: 205-268-3642
E-mail: lance.black@protective.com

STATE OF §
§
COUNTY OF §

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that , whose name as of PROTECTIVE LIFE INSURANCE COMPANY, a Tennessee corporation, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of this instrument, as such and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal, this day of December, 2013.

____
Notary Public

My Commission Expires: ____________________

Signature Page – Second Amended and Restated Lease Agreement

LESSOR:

WACHOVIA DEVELOPMENT CORPORATION, a North Carolina corporation

By: ______________________________
Name: Weston R. Garrett
Title: Managing Director

Mailing Address:

Wachovia Development Corporation
c/o Wells Fargo Securities
550 South Tryon Street
MAC D1086-051
Charlotte, North Carolina 28202
Attention: Jack Altmeyer
Telecopier: 704-410-0233
E-mail: jack.altmeyer@wellsfargo.com

STATE OF §
§
COUNTY OF §

I, the undersigned, a Notary Public in and for said County in said State, hereby certify that Weston R. Garrett, whose name as Managing Director of WACHOVIA DEVELOPMENT CORPORATION, a North Carolina corporation, is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day that, being informed of the contents of this instrument, he as such Managing Director and with full authority, executed the same voluntarily for and as the act of said corporation.

Given under my hand and official seal, this day of December, 2013.

____
Notary Public

My Commission Expires: ______________________________

Signature Page – Second Amended and Restated Lease Agreement

EXHIBIT A
ANNEX PARCEL

Acreage situated in the SW 1/4 of the SE 1/4 and the SE 1/4 of the SW 1/4 of Section 8, Township 18 South, Range 2 West and the NW 1/4 of the NE 1/4 of Section 17, Township 18 South, Range 2 West, Jefferson County, Alabama, being more particularly described as follows:

Commence at the Northwesterly corner of Lot 10-A, Parkway Subdivision, as recorded in Map Book 88, Page 38 in the office of the Judge of Probate of Jefferson County, Alabama, said point lying on the Southwesterly Right-of-Way line of Cahaba Road (Old U.S. Highway No. 280), said point also lying on the East line of the SW 1/4 of the SE 1/4 of Section 8, Township 18 South, Range 2 West; thence run in a Southerly direction along the Westerly line of said Lot 10-A and the East line of said 1/4-1/4 section a distance of 291.49 feet to a point; thence 55º35’25” to the right in a Southwesterly direction a distance of 328.53 feet to a point; thence 87º34’08” to the right in a Northwesterly direction a distance of 2.20 feet to a point; thence 52º23’58” to the left in a Westerly direction a distance of 482.90 feet to a point; thence 83º11’36” to the left in a Southwesterly direction a distance of 16.97 feet to a point; thence 83º16’34” to the right in a Westerly direction a distance of 65.00 feet to a point; thence 90º00’44” to the left in a Southerly direction a distance of 20.26 feet to a point; thence 31º54’03” to the right in a Southwesterly direction a distance of 67.66 feet to a point; thence 90º00’ to the right in a Northwesterly direction a distance of 122.74 feet to the POINT OF BEGINNING of the parcel herein described, said point lying on the face of the newly constructed Building Annex No. 3; thence 2º18’03” to the right in a Northwesterly direction along the face of said building a distance of 39.90 feet to a point; thence 90º00’ to the right in a Northeasterly direction along the face of said building a distance of 5.33 feet to a point; thence 90º00’ to the left in a Northwesterly direction along the face of said building a distance of 254.97 feet to a point; thence 90º00’ to the right in a Northeasterly direction along the face of said building a distance of 21.25 feet to a point on the face of an existing Parking Deck; thence 90º00’ to the left in a Northwesterly direction along the face of said parking deck a distance of 120.80 feet to a point on the face of existing Building 1; thence 90º00’ to the left in a Southwesterly direction along the face of said building a distance of 19.09 feet to a point; thence 90º00’ to the right in a Northwesterly direction along the face of said building a distance of 10.89 feet to a point; thence 90º00’ to the left in a Southwesterly direction along the face of said building and along the face of the newly constructed Building Annex No. 3 a distance of 57.38 feet to a point; thence 90º00’ to the left in a Southeasterly direction along the face of said Building Annex No. 3 a distance of 64.38 feet to a point; thence 90º00’ to the right in a Southwesterly direction along the face of said building a distance of 73.55 feet to a point; thence 90º00’ to the left in a Southeasterly direction along the face of said building a distance of 2.54 feet to a point; thence 90º00’ to the right in a Southwesterly direction a distance of 6.00 feet to a point; thence 90º00’ to the left in a Southeasterly direction a distance of 27.45 feet to a point; thence 90º00’ to the left in a Northeasterly direction a distance of 6.00 feet to a point on the face of the newly constructed Building Annex No. 3; thence 90º00’ to the right in a Southeasterly direction along the face of said building a distance of 281.48 feet to a point; thence 90º00’ to the right in a Southwesterly direction a distance of 4.30 feet to a point; thence 90º00’ to the left in a Southeasterly direction a distance of 9.17 feet to a point; thence 90º00’ to the left in a Northeasterly direction a distance of 4.30 feet to a point on the face of the newly constructed Building Annex No. 3; thence 90º00’ to the right in a Southeasterly direction along the face of said building a distance of 1.67 feet to a point; thence 90º00’ to the left in a Northeasterly direction along the face of said building a distance of 27.92 feet to a point; thence 90º00’ to the right in a Southeasterly direction along the face of said building a distance of 39.87 feet to a point; thence 90º00’ to the left in a Northeasterly direction along the face of said building a distance of 95.52 feet to the Point of Beginning.

Containing 51,664 square feet or 1.186 acres.

TOGETHER WITH, a non exclusive easement for pedestrian and vehicular ingress and egress to, upon, over and across the Protective Road, Protective Driveway and Orchid Driveway (as the same are described in the certain Reciprocal Easement Agreement by and between Orchid, L.L.C. and Protective Life Insurance Company dated as of January 19, 1996, and recorded as Instrument #9601/6971 in the Probate Office of Jefferson County, Alabama, as amended and restated by Amended and Restated Reciprocal Easement Agreement dated as of March 16, 2004, and recorded as Instrument #200405/9866, in said Probate Office), as the same may be modified or relocated.

TOGETHER WITH, (a) a non-exclusive easement for the purpose of pedestrian and vehicular ingress and egress to, on, over and across the Common Driveway; (b) an easement along the Common Access Driveway for the drainage of storm water; and, (c) an easement along the Common Access Driveway and over the Company Tract for installing, operating, and maintaining utility facilities (as the same are described in that certain Reciprocal Easement Agreement by and between Protective Life Insurance Company and Wachovia Capital Investments, Inc. dated as of the 1st day of February, 2000, and recorded as Instrument #200004/0950, in the Probate Office of Jefferson County, Alabama, as amended by First Amendment to Reciprocal Easement Agreement dated as of September 1, 2004 and recorded as Instrument #200413/6654, in said Probate Office).

PARKING DECK PARCEL

Acreage situated in the SW 1/4 of the SE 1/4 of Section 8, Township 18 South, Range 2 West, Jefferson County, Alabama, being more particularly described as follows:

Commence at the Northwesterly corner of Lot 10-A, Parkway Subdivision, as recorded in Map Book 88, Page 38 in the office of the Judge of Probate of Jefferson County, Alabama, said point lying on the Southwesterly Right-of-Way line of Cahaba Road (Old U.S. Highway No. 280), said point also lying on the East line of the SW 1/4 of the SE 1/4 of Section 8, Township 18 South, Range 2 West; thence run in a Southerly direction along the Westerly line of said Lot 10-A and the East line of said 1/4-1/4 section a distance of 291.49 feet to a point; thence 55º35’25” to the right in a Southwesterly direction a distance of 328.53 feet to a point; thence 87º34’08” to the right in a Northwesterly direction a distance of 2.20 feet to a point; thence 52º23’58” to the left in a Westerly direction a distance of 310.55 feet to a point; thence 90º00’ to the right in a Northerly direction a distance of 111.28 feet to a point on the face of the newly constructed parking deck, said point being the POINT OF BEGINNING of the parcel herein described; thence 34º26’54’ to the right in a Northeasterly direction along the face of said parking deck a distance of 200.87 feet to a point; thence 90º00’ to the left in a Northwesterly direction along the face of said parking deck a distance of 3.99 feet to a point; thence 90º00’ to the right in a Northeasterly direction along the face of said parking deck a distance of 13.22 feet to a point;

thence 90º00’ to the left in a Northwesterly direction along the face of said parking deck a distance of 12.98 feet to a point; thence 90º00’ to the right in a Northeasterly direction along the face of said parking deck a distance of 4.00 feet to a point; thence 90º00’ to the left in a Northwesterly direction along the face of said parking deck a distance of 274.49 feet to a point; thence 90º00’ to the left in a Southwesterly direction along the face of said parking deck a distance of 4.06 feet to a point; thence 90º00’ to the right in a Northwesterly direction along the face of said parking deck a distance of 13.00 feet to a point; thence 90º00’ to the left in a Southwesterly direction along the face of said parking deck a distance of 13.02 feet to a point; thence 90º00’ to the right in a Northwesterly direction along the face of said parking deck a distance of 3.89 feet to a point; thence 90º00’ to the left in a Southwesterly direction along the face of said parking deck a distance of 200.93 feet to a point; thence 90º00’ to the left in a Southeasterly direction along the face of said parking deck a distance of 3.91 feet to a point; thence 90º00’ to the right in a Southwesterly direction along the face of said parking deck and its extension a distance of 16.06 feet to a point along the roof overhang line of the newly constructed pedestrian bridge; thence 90º00’ to the right in a Northwesterly direction along said roof overhang line a distance of 95.00 feet to a point on the face of the existing parking deck; thence 90º00’ to the left in a Southwesterly direction along the face of the existing parking deck a distance of 15.94 feet to a point along the roof overhang line of the newly constructed pedestrian bridge; thence 90º00’ to the left in a Southeasterly direction along said roof overhang line a distance of 107.90 feet to a point on the face of the newly constructed parking deck; thence 90º00’ to the right in a Southwesterly direction along the face of said parking deck a distance of 6.79 feet to a point; thence 90º00’ to the left in a Southeasterly direction along the face of said parking deck a distance of 28.64 feet to a point; thence 90º00’ to the left in a Northeasterly direction along the face of said parking deck a distance of 21.62 feet to a point; thence 90º00’ to the right in a Southeasterly direction along the face of said parking deck a distance of 245.90 feet to a point; thence 90º00’ to the left in a Northeasterly direction along the face of said parking deck a distance of 3.90 feet to a point; thence 90º00’ to the right in a Southeasterly direction along the face of said parking deck a distance of 13.02 feet to a point; thence 90º00’ to the left in a Northeasterly direction along the face of said parking deck a distance of 13.19 feet to a point; thence 90º00’ to the right in a Southeasterly direction along the face of said parking deck a distance of 3.98 feet to the Point of Beginning.

Containing 74,417 square feet or 1.708 acres.

TOGETHER WITH, a non exclusive easement for pedestrian and vehicular ingress and egress to, upon, over and across the Protective Road, Protective Driveway and Orchid Driveway (as the same are described in the certain Reciprocal Easement Agreement by and between Orchid, L.L.C. and Protective Life Insurance Company dated as of January 19, 1996, and recorded as Instrument #9601/6971 in the Probate Office of Jefferson County, Alabama, as amended and restated by Amended and Restated Reciprocal Easement Agreement dated as of March 16, 2004, and recorded as Instrument #200405/9866, in said Probate Office), as the same may be modified or relocated.

TOGETHER WITH, (a) a non-exclusive easement for the purpose of pedestrian and vehicular ingress and egress to, on, over and across the Common Driveway; (b) an easement along the Common Access Driveway for the drainage of storm water; and, (c) an easement along the Common Access Driveway and over the Company Tract for installing, operating, and maintaining utility facilities (as the same are described in that certain Reciprocal Easement Agreement by and between Protective Life Insurance Company and Wachovia Capital Investments, Inc. dated as of the 1st day of February, 2000, and recorded as Instrument #200004/0950, in the Probate Office of Jefferson County, Alabama, as amended by First Amendment to Reciprocal Easement Agreement dated as of September 1, 2004 and recorded as Instrument #200413/6654, in said Probate Office).

SCHEDULE 14
INSURANCE REQUIREMENTS

The Lessee will provide, or cause to be provided, insurance in accordance with the terms of this Schedule, which insurance shall be placed and maintained with Permitted Insurers. As to each of the building annex and parking deck portions of the Facility, until the issuance of a certificate of occupancy as to such portion, such insurance may be provided through the general contractor's builder's risk and liability coverage.

1. Insurance Coverages and Limits

At all times subsequent to the Lease Commencement Date, the Lessee shall provide, or cause to be provided, the following property and liability coverages with respect to the Facility (may include deductible amounts for the account of the Lessee or its Affiliates, as the case may be, not to exceed $25,000 in the aggregate for all such coverages):

(a) all-risk property coverage, with limits of coverage at least equal to the replacement cost (which limits shall be not less than $70,000,000 for the Facility), which insurance coverage may, at the Lessee's option, be included under any "blanket" policy maintained by the Lessee so long as such "blanket" policy provides for all-risk property coverage with respect to the Facility and any other Property covered thereby, with limits of coverage at least equal to the aggregate replacement cost of the Facility (provided, however, that such insurance, in either case, shall provide for replacement cost coverage, provided that the insured property is replaced, and, provided further, that the insurance shall not have the effect of causing the Lessee or any of its Affiliates to be deemed a co-insurer), with respect to the Lessee and any Affiliate of the Lessee providing services with respect to the Facility, or if the Lessee elects to effect the coverage required by this Paragraph under a "blanket" policy, the Lessee and its Affiliates insured thereby, such insurance to include, coverage for (x) floods (if required by applicable law or regulation), windstorms, hurricanes, tornados, collapse and other perils (including debris removal and cleanup) and such insurance to cover equipment separated from the Facility, transit of equipment and consumables to and from the Site, labor claims, in each case with respect to the Facility, and such insurance to include coverage for all other risks and occurrences customarily included under all-risk policies available with respect to Property similar in installation, location and operation to the Facility (or the Facility and all other Property insured thereby if all are covered under a "blanket" policy), and (y) "boiler and machinery" property damage insurance on a comprehensive basis with respect to damage to the machinery, plants, equipment or similar apparatus (including production machinery) included in the Facility (or the Facility and all other Property insured thereby if all are covered under a "blanket" policy), from risks and in amounts normally insured against under machinery policies.

(b) (i) statutory workers' compensation and occupational disease insurance in accordance with applicable state and federal law, and employer's liability insurance with primary and excess coverage limits of not less than $1,000,000;

(ii) commercial general liability insurance covering operations of the Lessee, contractual liability coverage, contingent liability coverage arising out of the operations of the Facility, cross-liabilities coverage, sudden and accidental seepage and pollution coverage, and other coverage for hazards customarily insured with respect to Property similar in construction, location, occupancy and operation to the Facility, with limits complying with the underlying requirements of the excess liability policy described in Paragraph (a)(ii)(3);

(iii) excess commercial liability insurance in excess of the liability policies described in Paragraphs (1)(b)(i) and (ii) to bring to limits of not less than $1,000,000 for each occurrence and in the aggregate per year with respect to the Lessee and its Affiliates.

2. Insurance Endorsements. Any insurance carried in accordance herewith shall, except as hereinafter permitted, provide or be endorsed to provide that:

(a) the Lessor, as its interests may appear, shall be included as an additional insured or named as loss payee but only with respects coverages required by Paragraphs (a)(i), with the understanding that any obligation imposed upon the insured (including, without limitation, the liability to pay premiums) under any policy required by this Schedule shall be the obligation of the Lessee and its Affiliates) and not that of the Lessor;

(b) as to all policies of property insurance, a non-contributory clause or endorsement to the effect that any loss shall be payable in accordance with the terms of such policy notwithstanding any act or negligence of the Lessee or its Affiliates which might otherwise result in forfeiture of or denial of coverage with respect to such insurance;

(c) the insurer thereunder waives all rights of subrogation against the Lessor;

(d) such insurance shall be primary without right of contribution of any other insurance carried by or on behalf of the Lessor with respect to its interests in the Facility; and

(e) if such insurance is cancelled for any reason whatsoever (including, without limitation, nonpayment of premium) or any material change is made in the coverage that affects the interests of the Lessor, such cancellation or change shall not be effective as to the Lessor for 10 days for nonpayment of premiums and otherwise for 45 days, in both cases after receipt by the Lessor (at the address provided pursuant to Section 22 of the Lease) of written notice sent by certified mail from such insurer of such cancellation or change.

3. Adjustment of Property Losses. After the occurrence and during the continuation of a Cancellation Event or Termination Event, the loss, if any, under any property insurance covering the Facility required to be carried by this Schedule shall be adjusted with the insurance companies or otherwise collected, including, without limitation, the filing of appropriate proceedings, by the Lessee in consultation with the Lessor.

4. Evidence of Insurance. Upon request, the Lessee will furnish the Lessor evidence of such insurance relating to the Facility.

5. Additional Insurance by the Lessor or the Lessee. Nothing in this Schedule shall prohibit the Lessor or the Lessee, as their respective interests may appear, from maintaining for their own account, at the expense of the Person purchasing such insurance, additional insurance on or with respect to the Facility, or any part thereof, with coverage exceeding that otherwise required under this Schedule, unless such insurance would conflict with or limit the insurance otherwise required under this Schedule.

Exhibit 10(k)

SECOND AMENDED AND RESTATED

INVESTMENT AND PARTICIPATION AGREEMENT

Dated as of December 19, 2013

Among

PROTECTIVE LIFE INSURANCE COMPANY,

as the Company,

WACHOVIA DEVELOPMENT CORPORATION

as the Lessor,

WELLS FARGO BANK, NATIONAL ASSOCIATION,

as the Administrative Agent,

and

THE LEASE PARTICIPANTS SIGNATORIES HERETO

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EXHIBITS

SCHEDULES

SECOND AMENDED AND RESTATED INVESTMENT AND PARTICIPATION AGREEMENT

SECOND AMENDED AND RESTATED INVESTMENT AND PARTICIPATION AGREEMENT (as the same may be amended, modified or supplemented from time to time, this "Agreement" or the "Investment Agreement") dated as of December 19, 2013, by and among PROTECTIVE LIFE INSURANCE COMPANY, a Tennessee corporation (the "Company"), WACHOVIA DEVELOPMENT CORPORATION, as Lessor (the "Lessor"), WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as administrative agent for the Lessor and the Lease Participants (in such capacity, the "Administrative Agent"), and each of the Lease Participants that is a party hereto or becomes a party hereto as provided in Section 11.06 (individually, together with its successors and assigns, a "Lease Participant," and collectively, together with their successors and assigns, the "Lease Participants").

RECITALS

WHEREAS, pursuant to the Original Ground Lease, Wachovia Capital Investments, Inc. ("WCI") acquired a ground lease of certain real property located in Jefferson County, Alabama, described in greater detail on Exhibit A (the "Site"), and has constructed and installed on the Site an annex office building and a related parking deck and related enhancements and improvements, including furniture, fixtures and equipment; and

WHEREAS, the Company, acting as WCI's agent pursuant to the terms of the Original Agency Agreement, completed the construction and installation of all such enhancements and improvements on the Site and currently provides certain operations, maintenance, and management support in respect of the Facility; and

WHEREAS, pursuant to the Original Lease Agreement, WCI leased the Facility to the Company; and

WHEREAS, to finance the acquisition of the Lessor's ground lease of the Site and the construction and installation of the building, related parking deck and such related enhancements and improvements on the Site for the use and benefit of the Company in accordance with the Original Lease Agreement, WCI, at the Company's request, made Lessor Investments in the Facility in an aggregate principal amount of $75,000,000, and the Lease Participants purchased Ownership Interests from WCI; and

WHEREAS, to induce WCI and the Lease Participants to enter into the Original Investment and Participation Agreement and other Original Lease Documents, the Guarantor executed and delivered the Original Guaranty Agreement in favor of WCI (for the ratable benefit of the Lease Participants);

WHEREAS, the Company, the Lessor and the Administrative Agent amended and restated the Original Investment and Participation Agreement and the Original Lease Documents on January 11, 2007, and, in connection therewith, WCI assigned 100% of its interest in the Original Lease Documents to Lessor pursuant to the terms of that certain Assignment and Assumption Agreement dated January 11, 2007;

WHEREAS, the Company has requested to refinance and extend the maturity of the Lease Agreement by, among other things, entering into this Agreement and by further amending and restating the Ground Lease and the Lease Agreement;

WHEREAS, in connection therewith Guarantor has agreed to amend and restate the Guaranty Agreement to, among other things but subject to certain limitations, confirm and continue its guarantee of the obligations of the Company to the Lessor (for the ratable benefit of certain of the Lease Participants);

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

ARTICLE I.

DEFINED TERMS AND ACCOUNTING MATTERS

Section 1.01 Defined Terms. All capitalized terms used but not otherwise defined herein shall have the meaning specified for such term in Schedule 1.01.

Section 1.02 Accounting Terms and Determinations. Unless otherwise specified herein, all terms of an accounting character used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with GAAP (except that financial statements of the Insurance Subsidiaries shall be prepared in accordance with SAP), applied on a basis consistent (except for changes concurred with by the Guarantor's independent public accountants or otherwise required by a change in GAAP) with the most recent audited consolidated financial statements of the Guarantor and the Consolidated Subsidiaries delivered to the Funding Parties unless with respect to any such change concurred with by the Guarantor's independent public accountants or required by GAAP or SAP, in determining compliance with any of the provisions of this Agreement or any of the other Operative Documents: (a) the Guarantor shall have objected to determining such compliance on such basis at the time of delivery of such financial statements, or (b) the Majority Funding Parties shall so object in writing within thirty (30) days after the delivery of such financial statements, in either of which events such calculations shall be made on a basis consistent with those used in the preparation of the latest financial statements as to which such objection shall not have been made (which, if objection is made in respect of the first financial statements delivered under Section 8.01, shall mean the financial statements referred to in Section 7.01(d)).

ARTICLE II.

INVESTMENTS

Section 2.01 Lessor Investments; Purchase of Ownership Interests.

(a) Lessor Investments. All parties hereto as of the Restatement Closing Date acknowledge and agree that (i) pursuant to the Third Master Assignment and Acceptance (which is deemed to be effective immediately before the effectiveness of this Agreement), Lessor accepted 100% of the Lessor Investments from all Lease Participants; (ii) pursuant to the terms of this Agreement and the Fourth Master Assignment and Acceptance (which is deemed effective contemporaneously herewith), all such Lessor Investments outstanding immediately before the effectiveness of this Agreement are hereby deemed to be recharacterized such that they constitute A Percentage Lessor Investments and B Percentage Lessor Investments; and (iii) pursuant to the Fourth Master Assignment and Acceptance, each of the Lease Participants under this Agreement have accepted from Lessor such A Percentage Lessor Investments and/or B Percentage Lessor Investments (and, consequently, related A Percentage Ownership Interests and B Percentage Ownership Interests) as are indicated in the Fourth Master Assignment and Acceptance and, as of the Restatement Closing Date, Schedule 2.01(a) hereof.

(b) On the Restatement Closing Date, and after giving full effect to the Fourth Master Assignment and Acceptance, the Lessor shall furnish to each Lease Participant, with a copy to the Company, a certificate in the form of Exhibit B (an "Ownership Certificate") setting forth, as of the date hereof, the information described in Section 2.03(a).

Section 2.02 Certain Supplemental Rent. In addition to other Supplemental Rent payable pursuant to the Operative Documents, the Company shall pay to the Lessor (for its own account and for the account of any other Person as specified below) the Supplemental Rent described in this Section pursuant to the provisions hereof.

(a) The Company shall pay or cause to be paid to the Lessor Supplemental Rent in the amount of 0.20% of the Facility Cost as of the Restatement Closing Date (the "Upfront Supplemental Rent"). The Upfront Supplemental Rent shall be payable in full on the Restatement Closing Date. Promptly upon receipt by the Lessor of such payment of the Upfront Supplemental Rent, it shall distribute to each Lease Participant its Percentage Share thereof.

(b) On the Restatement Closing Date, the Company shall pay or cause to be paid to the Administrative Agent, for the account of Arranger, Supplemental Rent in the amount set forth in the Engagement Letter (the " Arranger's Supplemental Rent"), which Arranger's Supplemental Rent shall be deemed fully earned on the Restatement Closing Date and, once paid, shall be non-refundable. The Company shall pay to Administrative Agent, for its own account, an administrative fee in the amount of $25,000.00 per year (the " Administrative Supplemental Rent"), which Administrative Supplemental Rent shall be paid initially on the Restatement Closing Date and on each anniversary thereof until the Lease Termination Date. The Administrative Supplemental Rent shall be deemed fully earned on the Restatement Closing Date and on each anniversary thereof and, once paid, shall be non-refundable.

Section 2.03 Ownership Interests; Administrative Agent as Administrative Agent; Record of Payments .

(a) The Ownership Certificates furnished by the Lessor pursuant to Sections 2.01, 3.02 and 11.06 shall evidence, as of the date thereof, the aggregate amount of (i) all Lessor Investments, (ii) the A Percentage Ownership Interests owned by the Lessor and each A Percentage Lease Participant, (iii) the A Percentage Share of the Lessor and each A Percentage Lease Participant, (iv) the percentage which the A Percentage Lessor Investments bears to the total Lessor Investments, (v) the B Percentage Ownership Interests owned by the Lessor and each B Percentage Lease Participant, (vi) the B Percentage Share of the Lessor and each B Percentage Lease Participant, and (vii) the percentage which the B Percentage Lessor Investments bears to the total Lessor Investments. Such Ownership Certificates shall be final and conclusive evidence of the amounts set forth therein, in the absence of manifest error. The sale by the Lessor to the Lease Participants of Ownership Interests shall be absolute sales, and the Lease Participants shall have no recourse to the Lessor in the event of failure of the Company to pay any Rent, fees or other amounts payable pursuant to the Lease, this Agreement and the other Operative Documents which are attributable to their Ownership Interests, or right to require the Lessor to repurchase their Ownership Interests in any event.

(b) The Lessor shall serve as the servicing agent for the Lease Participants to collect and receive all payments of Rent and other amounts payable pursuant to the Lease, this Agreement and the other Operative Documents which are attributable to their Ownership Interests, and such amounts, when received by the Lessor and until distributed to the Lease Participants pursuant to the Lease, this Agreement or the other Operative Documents, shall be held by the Lessor in trust for the Lessor and the Lease Participants. In accordance with Section 10.02, the parties hereto acknowledge and agree that the Administrative Agent shall perform certain of the Lessor's obligations and be entitled to certain rights hereunder.

(c) The Administrative Agent, on behalf of the Lessor, shall maintain a record of payments of Rent and all other amounts paid to the Lessor pursuant to the Lease, this Agreement and the other Operative Documents, and the amounts paid by the Lessor to the Lease Participants pursuant to this Agreement, and such record shall be final and conclusive evidence of the amounts recorded therein, absent manifest error. A copy of such record shall be made available to the Company and any Lease Participant upon its request.

Section 2.04 Lessor Confirmation Letter. Upon Lessee's request made in writing, but no more frequently than once per fiscal quarter, Lessor shall provide an update to the Lessor confirmation letter referred to in Section 6.01(g).

ARTICLE III.

RECOVERY OF LESSOR INVESTMENTS; PAYMENT OF YIELD AND OTHER AMOUNTS

Section 3.01 Recovery of Lessor Investments.

(a) The Company will pay or cause to be paid to the Lessor all Rent and other amounts payable to the Lessor, for the account of the Lessor and the Lease Participants, as the case may be, including all Unrecovered Lessor Investments, all accrued and unpaid Yield, Supplemental Rent and other amounts owing under this Agreement and the other Operative Documents, in full on the Maturity Date, subject to Section 3.01(b).

(b) If, on or before the Maturity Date, the Company or the Guarantor (or any of their respective Affiliates) shall exercise the option to purchase the Facility in its entirety, then the purchase price for the Facility shall be equal to the Purchase Price and the proceeds of such sale, when received by the Lessor, shall be applied by the Lessor in the order specified in Section 3.05(a). If, on the Maturity Date, no Cancellation Event shall have occurred and the Company or the Guarantor (or any of their respective Affiliates) shall elect to pay the Final Rent Payment and not to purchase the Facility, and shall pay the Final Rent Payment, all amounts received by the Lessor pursuant to or in connection with the Lease, this Agreement or any other Operative Document or as proceeds of the disposition of the Facility shall be applied by the Lessor to pay the Unrecovered Lessor Investments and all accrued Yield (which shall be distributed ratably to the Funding Parties in accordance with their respective Ownership Interests), and to the Persons entitled thereto pursuant to the Operative Documents all Supplemental Rent and other amounts owing under this Agreement in the order specified in Section 3.05(b).

Section 3.02 Redemptions.

At any time during the term of the Lease, the Company may redeem, from time to time, upon at least 2 Business Days' notice to the Lessor, which notice shall specify (a) the proposed date of the redemption (which shall be a Business Day), (b) the aggregate principal amount of the redemption, and (c) the Lessor Investments to be redeemed. If such notice is given, the Company shall, as specified in such notice, redeem the amount set forth in the notice no later than 12:00 noon Eastern Time, on the date properly set forth in the notice. When received by the Lessor, such amount shall be applied to redeem the outstanding principal amounts of the Lessor Investments constituting A Percentage Lessor Investments, in whole or ratably in part, together with accrued Yield to the date of such redemption on the amount redeemed. The Lessor shall, on the same Business Day on which such amounts are properly received, allocate and distribute to the A Percentage Lease Participants the amount such redemption bears to their A Percentage Lessor Investments in accordance with their respective A Percentage Shares. Within 5 Business Days after Lessor's receipt of such redemption amount, the Lessor, at the expense of the Company, shall execute and deliver to each of the Lease Participants, a new Ownership Certificate, giving effect to such redemption and dated the date thereof. Notwithstanding anything to the contrary herein, (i) each partial redemption shall be in an aggregate principal amount not less than $1,000,000 (and must be in an integral multiple of $500,000), and (ii) in the event of any such redemption of Lessor Investments on any day other than the last day of the Yield Period for such Lessor Investments, the Company, as agent for the Lessor, shall be obligated to reimburse the applicable Funding Parties in respect thereof pursuant to, and to the extent required by, Section 5.05.

Section 3.03 Yield on Lessor Investments; Overdue Amounts.

(a) Yield shall accrue on the Lessor Investments and be payable at a rate per annum equal to the Adjusted LIBO Rate for the applicable Yield Period plus the Applicable Margin, but in no event to exceed the Highest Lawful Rate (the "Yield").

(b) Notwithstanding the foregoing, the Company, by the payment of additional Rent under the Lease, or otherwise, shall pay or cause to be paid to the Lessor, at the applicable Default Rate on the amount of Lessor Investments, Yield, Supplemental Rent or other amounts owing by the Company under this Agreement or any other Operative Document which shall not be paid in full when due (whether at stated maturity, by acceleration or otherwise), for the period commencing on the due date thereof until the same is paid in full, in each case to the maximum extent permitted by applicable law (and the Lessor shall, on the day of receipt, if received prior to 2:00 p.m. Eastern Time, or on the next succeeding Business Day, if received at or after 2:00 p.m. Eastern Time, distribute to the Lease Participants their respective A Percentage Share or B Percentage Share, as applicable, thereof, or to such other Person that is entitled thereto pursuant to the Operative Documents).

(c) Accrued Yield on the Lessor Investments shall be payable on the last day of each Yield Period therefor and on the Maturity Date. Yield payable at the Default Rate shall be payable from time to time on demand.

(d) Promptly after the determination of the rate of any Yield provided for herein or any change therein, the Lessor shall notify the Lease Participants which have an Ownership Interest in such Yield and the Company of such determination or change.

Section 3.04 Payments by Lessor. All moneys received by the Lessor pursuant to the Lease including, but not limited to, payments of Basic Rent, Supplemental Rent, the Termination Value or the Final Rent Payment, except for amounts allocable to fees and expenses of the Lessor pursuant to the Operative Documents and amounts comprising Supplemental Rent payable to third Persons, if any, shall be paid to the Funding Parties in accordance with, and to pay amounts owing pursuant to, the terms of this Agreement, including without limitation Section 4.01 and, if applicable, Section 3.05.

Section 3.05 Applications of Payments and Proceeds.

(a) Upon the occurrence of (x) a Cancellation Event or (y) a Termination Event (and the Company elects pursuant to Section 15(a) of the Lease to exercise its option to purchase the Facility for the Purchase Price), or if the Company otherwise elects to acquire the Facility for the Purchase Price, the Purchase Price or the Termination Value, as the case may be, and all other monies received by the Lessor (or the Administrative Agent on the Lessor's behalf) pursuant to or in connection with the Lease, this Agreement or any other Operative Document, including, without limitation, the proceeds of any insurance or condemnation awards received as a result of any Casualty Occurrence or Loss Event, shall be applied in the following order:

(i) first, to pay or reimburse all Supplemental Rent and other costs and expenses, including, without limitation, those in connection with Indemnified Risks, increased costs, or Taxes, then due and owing to the Funding Parties under the other Operative Documents (collectively, the " Other Transaction Expenses"), pro rata to each such Person; and

(ii) second, to pay all accrued, unpaid Yield on the A Percentage Lessor Investments and the B Percentage Lessor Investments, to the Lessor (who shall distribute pro rata to each of the A Percentage Lease Participants and B Percentage Lease Participants its A Percentage Share and/or B Percentage Share thereof, as applicable); and

(iii) third, in an amount equal to the aggregate outstanding principal balance of the A Percentage Lessor Investments, to the Lessor (who shall distribute to each of the A Percentage Lease Participants its A Percentage Share thereof); and

(iv) fourth, in an amount equal to the aggregate outstanding principal balance of that portion of the B Percentage Lessor Investments (who shall distribute to each of the B Percentage Lease Participants its B Percentage Share thereof); and

(v) fifth, remaining monies after payment in full of the foregoing amounts and all other amounts owing by the Company from time to time under the Operative Documents shall be paid to the Lessor for distribution to the Company.

(b) If (x) a Termination Event has occurred, (y) a Cancellation Event does not exist and (z) the Company has not elected to purchase the Facility for the Purchase Price, and has paid the Final Rent Payment pursuant to Section 15(a) of the Lease, then the Final Rent Payment shall be applied as follows:

(i) first, to pay or reimburse all Other Transaction Expenses;

(ii) second, to pay all accrued, unpaid Yield on the A Percentage Lessor Investments and the B Percentage Lessor Investments, to the Lessor (who shall distribute pro rata to each of the A Percentage Lease Participants and B Percentage Lease Participants its A Percentage Share and/or B Percentage Share thereof, as applicable);

(iii) third, in an amount equal to the aggregate outstanding principal balance of the A Percentage Lessor Investments, to the Lessor (who shall distribute to each of the A Percentage Lease Participants its A Percentage Share thereof); and

(iv) fourth, the balance, if any, to be applied and all other monies received by the Lessor pursuant to or in connection with the Lease, this Agreement or any other Operative Document or as proceeds of disposition of the Facility shall be applied as follows:

(1) first, to pay to the Lessor (who shall distribute to each of the B Percentage Lease Participants its B Percentage Share thereof), excluding the portion thereof attributable to the Lessor Equity Interest; and

(2) second, to pay to the Lessor, for its own account, an amount equal to the aggregate outstanding principal balance of that portion of the B Percentage Lessor Investments attributable to the Lessor Equity Interest; and

(3) third, to reimburse the Company for Support Expenses; and

(4) fourth, remaining monies after payment in full of the foregoing amounts and all other amounts owing by the Company from time to time under the Operative Documents shall be paid to the Lessor for distribution to the Company.

(c) If the circumstances described in Section 3.05(b)(x) and (y) exist, but the Company has either failed to elect to exercise its option to purchase the Facility, failed to make the Final Rent Payment and/or failed to furnish to the Lessor a satisfactory update of the environmental reports initially furnished with respect to the Facility, then the Lessor will be entitled to exercise foreclosure remedies set forth in Section 27 of the Lease and all moneys received by the Lessor from the disposition of the Facility or other foreclosure action, net of enforcement costs, shall be applied as follows:

(i) first, to payment of the Unrecovered Lessor Investments attributable to that portion of the principal balance of the B Percentage Lessor Investments, but excluding the portion thereof attributable to the Lessor Equity Interest (which payment shall be distributed to each of the B Percentage Lease Participants according to its B Percentage Share thereof);

(ii) second, to the remaining Unrecovered Lessor Investments attributable to the Lessor Equity Interest (which shall be retained by the Lessor); and

(iii) third, any remaining net proceeds shall be applied in accordance with Section 3.05(a) in the same manner as if the Final Rent Payment had been made, and in such circumstances, the Company shall remain liable for any deficiency in such remaining net proceeds to pay such amounts described in Section 3.05(a).

ARTICLE IV.

PAYMENTS; COMPUTATIONS; ETC.

Section 4.01 Payments. The Company (or, in the case of the principal amount of the B Percentage Lessor Investments in the circumstances described in Section 3.05(b) and if the Company shall have paid the Final Rent Payment, the Lessor), shall make each payment under this Agreement, whether the amount so paid is owing to any or all of the Funding Parties, not later than 12:00 noon Eastern Time, without setoff, counterclaim, or any other deduction whatsoever, on the day when due in Dollars to the Lessor c/o the Administrative Agent, at its address: Wells Fargo Bank, National Association, 500 S. Tryon Street, MAC D1086-051, Charlotte, NC 28202, Attention: Jack Altmeyer, Reference: Protective Life Insurance Company Facility, or at such other location designated by notice to the Company from the Lessor, in same day funds. The Lessor will promptly thereafter (on the same day received, if received by 2:00 p.m. Eastern Time) cause to be distributed to the other Funding Parties like funds relating to the payment of principal or Yield ratably (other than amounts payable pursuant to Section 4.06 or 11.03 or Article V) according to the respective amounts of such principal or Yield then due and owing to the Funding Parties, to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 11.06(e), from and after the effective date specified in such Assignment and Acceptance, the Lessor shall make all payments under this Agreement in respect of the interest assigned thereby to the assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves. Any payments and redemptions received hereunder, other than after the occurrence and during the continuation of a Cancellation Event or Termination Event, shall be applied in accordance with the purpose for which such payment or redemption is made. All payments by the Company under any Operative Document shall be made in the manner specified in this Article IV.

Section 4.02 Pro Rata Treatment. Except to the extent otherwise provided herein: (a) each payment of A Percentage Lessor Investments and B Percentage Lessor Investments received by the Lessor shall be distributed to the A Percentage Lease Participants and B Percentage Lease Participants, as applicable, pro rata in accordance with their respective A Percentage Ownership Interests and B Percentage Ownership Interests, as applicable; (b) each payment of A Percentage Yield and B Percentage Yield received by the Lessor shall be distributed to the A Percentage Lease Participants and B Percentage Lease Participants pro rata in accordance with their respective A Percentage Ownership Interests and B Percentage Ownership Interests, as applicable; and (c) each amount received by a setoff by any Funding Party pursuant to Section 11.05 shall be shared with all other Funding Parties so that each Funding Party receives its A Percentage Share and B Percentage Share, respectively, thereof.

Section 4.03 Computations. All computations of Yield shall be made by the Lessor, on the basis of a year of 360 days (or, in the case of computations based on the Prime Rate, 365/366 days), in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such Yield is payable. Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time in such case shall be included in the computation of payment of Yield; provided, however, that if such extension would cause payment of Yield on or amount of any Lessor Investment to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

Section 4.04 Non-receipt of Funds by the Lessor. Unless the Lessor shall have received notice from the Company, as Lessee under the Lease, prior to the date on which any payment is due to the Funding Parties hereunder that the Company will not make such payment in full, the Lessor may assume that the Company, as Lessee under the Lease, has made such payment in full to the Lessor on such date and the Lessor may, in reliance upon such assumption, but shall not be obligated to, cause to be distributed to each Lease Participant on such due date an amount equal to the amount then due such Lease Participant. If and to the extent the Company shall not have so made such payment in full to the Lessor, each Lease Participant shall repay to the Lessor forthwith on demand such amount distributed to such Lease Participant together with interest thereon, for each day from the date such amount is distributed to such Lease Participant until the date such Lease Participant repays such amount to the Lessor, at a rate equal to (a) until the Business Day after the Business Day on which such demand is made, the Federal Funds Rate for such day and (b) thereafter 50 basis points above the Federal Funds Rate for such day.

Section 4.05 Sharing of Payments. If any Funding Party shall obtain any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise) on account of its Ownership Interests (other than pursuant to Sections 4.06 or 11.03 or Article V) in excess of its ratable share of payments then due and owing to it in accordance with the payment orders specified in Section 3.05 or Section 4.02 on account of the Lessor Investments obtained by all the Funding Parties, such Funding Party shall forthwith purchase from the other Funding Parties participations in such Ownership Interests of the other Funding Parties, as shall be necessary to cause such purchasing Funding Party to share the excess payment ratably with each of them (or, if necessary, to cause such purchasing Funding Party to assume the payment priority specified in Section 3.05), provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Funding Party, such purchase from each Funding Party shall be rescinded and each Funding Party shall repay to the purchasing Funding Party the purchase price to the extent of such recovery together with an amount equal to such Funding Party's A

Percentage Share or B Percentage Share, as applicable. The Company agrees that any Funding Party so purchasing a participation from another Funding Party pursuant to this Section may, to the fullest extent permitted by law, exercise all its rights of payment (including any right of set-off) with respect to such participation as fully as if such Funding Party were the direct creditor of the Company in the amount of such participation.

Section 4.06 Taxes.

(a) Any and all payments of principal, Yield and all other amounts to be paid to the Lessor, for itself or for distribution to any Lease Participant, by the Company, as Lessee under the Lease, or any other Operative Document to each Indemnified Party, shall be made, in accordance with Section 4.01, without deduction for, and free from, any tax, imposts, levies, duties, deductions, or withholdings of any nature now or at any time hereafter imposed by any Governmental Authority or by any taxing authority thereof or therein, excluding in the case of each Funding Party, taxes imposed on or measured by the net income or net worth of any Funding Party, and franchise taxes imposed on such Funding Party (all such non-excluded taxes, imposts, levies, duties, deductions or withholdings of any nature being " Taxes"). In the event that the Lessor or Company, as Lessee under the Lease, is required by applicable law to make any such withholding or deduction of Taxes with respect to any Ownership Interest or other amount, the Company, as Lessee under the Lease, shall pay such deduction or withholding to the applicable taxing authority, shall promptly furnish to any Funding Party or other Person in respect of which such deduction or withholding is made all receipts and other documents evidencing such payment and shall pay to such Funding Party or other Person additional amounts as may be necessary in order that the amount received by such Funding Party or other Person after the required deduction or withholding shall equal the amount such Funding Party would have received had no such deduction or withholding been made.

(b) Each Lease Participant that is not chartered and organized under the laws of the United States of America or a state thereof (each a " Non-U.S. Domestic Participant") agrees, as soon as practicable after receipt by it of a request by the Lessor or the Company, as Lessee under the Lease, to do so, to file all appropriate forms and take other appropriate action to obtain a certificate or other appropriate document from the appropriate governmental authority in the jurisdiction imposing the relevant taxes, establishing that it is entitled to receive payments of principal and Yield under or in respect of this Agreement and its Ownership Interests without deduction and free from withholding of any Taxes imposed by such jurisdiction; provided, that, if it is unable, by virtue of any applicable law, rule or regulation, to establish such exemption or to file such forms and, in any event, during such period of time as such request for exemption is pending, the Company, as Lessee under the Lease, shall nonetheless remain obligated under the terms of the immediately preceding paragraph. Without limiting the foregoing, each Non-U.S. Domestic Participant agrees to deliver to the Lessor and to the Company, as Lessee under the Lease, promptly upon any request therefor from time to time, such forms, documents and other information as may be required by applicable law from time to time to establish that payment to such Non-U.S. Domestic Participant hereunder or with respect to its Ownership Interests or under the Guaranty are exempt from Taxes. Without limiting the generality of the foregoing, each Non-U.S. Domestic Participant agrees, on the date of its execution of this Agreement (or, in the case of an Eligible Assignee, on the date on which such Eligible Assignee becomes a party to this Agreement), to deliver in duplicate to the Lessor and to the Company, as Lessor under the

Lease, accurate and duly completed and executed Internal Revenue Service Form 4224 or 1001 (as applicable), together with Internal Revenue Service Forms W-8 or W-9, as appropriate, establishing that such Non-U.S. Domestic Participant is entitled to a complete exemption from all Taxes imposed by the federal government of the United States by way of withholding, including without limitation, all backup withholding (" U.S. Withholding Taxes"). Thereafter, from time to time (i) upon any change by a Non-U.S. Domestic Participant of its Applicable Funding Office, (ii) before or promptly after any event occurs (including, without limitation, the passing of time) requiring a change in or update of the most recent Form 4224 or 1001 previously delivered by such Non-U.S. Domestic Participant, or (iii) upon the reasonable request of the Lessor or the Company, as Lessee under the Lease, such Non-U.S. Domestic Participant shall deliver in duplicate to the Lessor and to the Company, as Lessee under the Lease, accurate and duly completed and executed Form 4224 or 1001 (as applicable) (together with Forms W-8 or W-9, as aforesaid) in replacement of the forms previously delivered by such Non-U.S. Domestic Participant, establishing that such Non-U.S. Domestic Participant is entitled to an exemption in whole or in part from all U.S. Withholding Taxes except to the extent that a change in law has rendered all such forms inapplicable to such Non-U.S. Domestic Participant.

(c) If the Internal Revenue Service or any other taxation authority in the United States or in any other jurisdiction successfully asserts a claim that such Non-U.S. Domestic Participant, the Lessor or the Company, as Lessee under the Lease, did not properly withhold tax from amounts paid to or for the account of any Non-U.S. Domestic Participant or its participant (because the appropriate form was not properly executed, or because such Non-U.S. Domestic Participant failed to notify the Lessor, Company, as Lessee under the Lease, of a change in circumstances which rendered the exemption from (or reduction in) U.S. Withholding Taxes ineffective), such Non-U.S. Domestic Participant shall indemnify the Company, as Lessee under the Lease, fully for all amounts paid, directly or indirectly, by the Lessor or the Company, as Lessee under the Lease, as applicable, as tax or otherwise, including, without limitation, penalties and interest.

(d) In the event any Funding Party receives a refund from the Governmental Authority to which such Taxes were paid of any Taxes paid by the Company pursuant to this Section, it will pay to the Company the amount of such refund promptly upon receipt thereof; provided, however, if at any time thereafter it is required to return such refund, the Company shall promptly repay to it the amount of such refund.

(e) Nothing in this Section shall require any Funding Party to disclose any information about its tax affairs or interfere with, limit or abridge the right of any Funding Party to arrange its tax affairs in any manner in which it desires.

(f) Without prejudice to the survival of any other agreement of the Company hereunder, the agreements and obligations of the Company and the Funding Parties contained in this Section shall be applicable with respect to any Funding Party, Eligible Assignee or other transferee, and any calculations required by such provisions (i) shall be made based upon the circumstances of such Funding Party, Eligible Assignee or other transferee (subject to Section 11.06(k)), and (ii) constitute a continuing agreement and shall survive for a period of two (2) years after the termination of this Agreement and the payment in full of the Lessor Investments.

ARTICLE V.

YIELD PROTECTION AND ILLEGALITY

Section 5.01 Basis for Determining Yield Rate Inadequate or Unfair. The Lessor shall give prompt notice to the Company and the Lease Participants of the applicable Yield determined by the Lessor for purposes of Sections 3.03(a) and (b) as follows:

(a) If on or prior to the first day of any Yield Period:

(i) the Lessor determines that deposits in Dollars (in the applicable amounts), are not being offered in the relevant market for such Yield Period, or

(ii) the Majority Funding Parties determine and give notice to the Lessor that the rates or yield determined on the basis of the LIBO Rate for any Yield Period for Lessor Investments or Lease Participant Investments will not adequately and fairly reflect the cost to Majority Funding Parties of maintaining their respective Lessor Investments or Lease Participant Investments for such Yield Period, the Lessor shall forthwith so notify the Company and the Lease Participants, whereupon,

(1) in the case of such notice from the Majority Funding Parties, the Lessor Investments and Lease Participant Investments will automatically, on the last day of the then existing Yield Period, accrue Yield at a rate based upon the Base Rate plus the Applicable Margin as set forth in the Pricing Schedule, and

(2) the obligation of the Majority Funding Parties to maintain Lessor Investments or Lease Participant Investments, as applicable, at the Adjusted LIBO Rate shall be suspended until the Lessor shall notify the Company and the Lease Participants that the circumstances causing such suspension no longer exist.

(b) Upon the written request of the Company, the Lessor shall negotiate with the Company and the relevant Lease Participants for a reasonable period of time, as determined in the Lessor's discretion, to develop a substitute interest rate basis hereunder; provided, however, (i) the Lessor, the Lease Participants and the Company make no representation, warranty or covenant that any such agreement will be made, and (ii) any relevant Lessor Investments and Lease Participant Investments shall continue to have Yield accrue thereon at the Base Rate during the continuance of any such negotiations and thereafter should no alternate interest rate be agreed to by the necessary parties.

Section 5.02 Illegality. Notwithstanding any other provision of this Agreement, if, after the date hereof, any Change in Law or compliance by any Funding Party (or its Applicable Funding Office) with any request or directive (whether or not having the force of law) of any Banking Authority shall make it unlawful or impossible for any Funding Party (or its Applicable Funding Office) to make or maintain its Lessor Investments or Lease Participant Investments, as applicable, based upon the Adjusted LIBO Rate and such Funding Party (if not the Lessor) shall so notify the Lessor, the Lessor shall forthwith give notice thereof to the other Funding Parties and to the Company and the Guarantor, whereupon until such Funding Party notifies the Lessor (if it is not such Funding Party), the other Funding Parties, the Company and the Guarantor that the circumstances giving rise to such suspension no longer exist, the obligation of such Funding Party to make or maintain Lessor Investments or Lease Participant Investments, as applicable, based upon the Adjusted LIBO Rate shall be suspended. Before giving any notice to the Lessor (or, in the case of the Lessor as a Funding Party, to the Company) pursuant to this Section, such Funding Party shall designate a different Applicable Funding Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Funding Party, be otherwise disadvantageous to such Funding Party. If such Funding Party shall determine that it may not lawfully continue to maintain and fund any of its outstanding Lessor Investments or Lease Participant Investments, as applicable, to maturity and shall so specify in such notice, the Company shall immediately redeem the full amount of the Lessor Investments (if such Funding Party is the Lessor) together with Yield thereon, or the full amount of such Funding Party's Lease Participant Investments (if such Funding Party is not the Lessor) together with Yield thereon. At any time within ninety (90) days after the giving of a notice by any Lease Participant pursuant to this Section, so long as no Event of Default shall be in existence, and so long as the Lessor has granted its consent (which it may grant or withhold in its sole and absolute discretion), the Company may require by written notice to that Lease Participant that (a) it assign its Lease Participant Investments to another Lease Participant or to a bank or other financial institution selected by the Company which is willing to accept such assignment or (b) it surrender its Lease Participant Investments and terminate its rights and obligations as a Lease Participant hereunder, concurrently with a redemption by the Company of the Lease Participant Investments of such Lease Participant together with Yield thereon (which redemption and Yield shall be paid to such Lease Participant).

Section 5.03 Increased Costs.

(a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or advances, loans or other credit extended or participated in by, any Funding Party (except any reserve requirement reflected in the Adjusted LIBO Rate);

(ii) subject any Funding Party to any Taxes on its Lessor Investment or Lease Participant Investment, as applicable, or other liabilities or capital attributable thereto; or

(iii) impose on any Funding Party any other condition, cost or expense (other than Taxes) affecting this Agreement or any Lessor Investments or Lease Participant Investments, as applicable, based upon the Adjusted LIBO Rate held by such Funding Party;

and the result of any of the foregoing shall be to increase the cost to such Funding Party of making, converting to, continuing or maintaining its Lessor Investments or Lease Participant Investments, as applicable , or to reduce the amount of any sum received or receivable by such Funding Party hereunder, then, the Company shall, from time to time, within thirty (30) calendar days after written demand by such Funding Party, pay to such Funding Party additional amounts sufficient to compensate such Funding Party or such corporation controlling such Funding Party to the extent that such Funding Party determines such increase in capital is allocable to such Funding Party's obligations hereunder.

(b) If any Funding Party determines that any Change in Law affecting such Funding Party or any lending office of such Funding Party's, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on such Funding Party's capital or on the capital of such Funding Party's holding company, if any, as a consequence of this Agreement or the Lessor Investment or Lease Participant Investment, as applicable, held by such Funding Party, to a level below that which such Funding Party or such Funding Party's holding company could have achieved but for such Change in Law (taking into consideration such Funding Party's policies and the policies of such Funding Party's holding company with respect to capital adequacy), then from time to time upon written request of such Funding Party, the Company shall promptly pay to such Funding Party such additional amount or amounts as will compensate such Funding Party or such Funding Party's holding company for any such reduction suffered.

(c) At any time within ninety (90) days after payment by the Company of any material amount to any Funding Party pursuant to subsections (a) or (b) of this Section, so long as no Event of Default is in existence, and so long as the Lessor has granted its consent (which it may grant or withhold in its sole and absolute discretion), the Company may require by written notice to each such Lease Participant that it (i) assign its Lease Participant Investments to another Lease Participant or to a bank or other financial institution selected by the Company which is willing to accept such assignment or (ii) surrender its Lease Participant Investments and terminate its rights and obligations as a Lease Participant hereunder, concurrently with a redemption by the Company of the Lessor Investments by an amount equal to the Lease Participant Investments held by that Lease Participant together with Yield thereon (which redemption and Yield shall be paid to such Lease Participant).

(d) Each Funding Party will promptly notify the Lessor (if such Funding Party is a Lease Participant) and the Company of any event of which its officer having primary responsibility for asset-liability management has knowledge, which occurs or is expected to occur after the date hereof, which will entitle such Funding Party to compensation pursuant to and subject to the limitations contained in this Section and will designate a different Applicable Funding Office if such designation will avoid the need for, or reduce the amount of, such compensation and will not, in the reasonable judgment of such Funding Party, be otherwise materially disadvantageous to such Funding Party. A certificate of any Funding Party claiming compensation under this Section and setting forth in reasonable detail the additional amount or amounts to be paid to it hereunder shall be presumed to be correct in the absence of manifest error. In determining such amount, such Funding Party may use any reasonable averaging and attribution methods. Nothing in this Section shall require any Funding Party to disclose any information about its tax affairs or interfere with, limit or abridge the right of any Funding Party to arrange its tax affairs in any manner it desires, subject to Section 11.16(b).

(e) The provisions of this Section shall (i) be applicable with respect to any Funding Party, assignee or other transferee, and any calculations required by such provisions shall be made based upon the circumstances of such Funding Party, assignee or other transferee and (ii) constitute a continuing agreement and shall survive for a period of one year after the termination of this Agreement and the redemption in full of the Lessor Investments and Lease Participant Investments.

Section 5.04 Base Rate Substituted for Adjusted LIBO Rate. If (i) the obligation of any Funding Party to make or maintain Lessor Investments or Lease Participant Investments has been suspended pursuant to Section 5.02 or (ii) any Funding Party has demanded compensation under Section 5.03, and the Company shall, by at least five (5) Business Days' prior notice to such Funding Party, with a copy to the Lessor (if it is not such Funding Party), have elected that the provisions of this Section shall apply to such Funding Party, then, unless and until such Funding Party notifies the Lessor (if it is not such Funding Party) and the Company that the circumstances giving rise to such suspension or demand for compensation no longer apply:

(a) all Lessor Investments or Lease Participant Investments that would otherwise be made or maintained by such Funding Party (and Lessor Investments related thereto, if such Funding Party is a Lease Participant) based upon the Adjusted LIBO Rate shall be made or, from the beginning of the next Yield Period therefor, be maintained instead based upon the Base Rate, plus the Applicable Margin (in all cases Yield and principal or other amounts payable on such Lessor Investments and/or Lease Participant Investments shall be payable contemporaneously with the related or comparable amount payable in respect of the other Funding Parties), and

(b) after each of the Lessor Investments and/or Lease Participant Investments made or maintained based upon the Adjusted LIBO Rate has been repaid, all payments of principal that would otherwise be applied to redeem such Lessor Investments and/or Lease Participant Investments shall be applied to redeem Lessor Investments and/or Lease Participant Investments made or maintained based upon the Base Rate instead.

Section 5.05 Compensation. Upon the request of any Funding Party, delivered to the Lessor (if it is not such Funding Party) and the Company, the Company shall pay to such Funding Party such amount or amounts as shall compensate such Funding Party for any loss, cost or expense incurred by such Funding Party as a result of any payment, prepayment or redemption (pursuant to Section 5.02 or otherwise) of a Lessor Investment or Lease Participant Investment on a date other than the last day of the Yield Period therefor.

Section 5.06 Payments and Computations. Each determination by the Lessor of Yield, or by any Funding Party of an increased cost or increased capital or of illegality hereunder, shall be presumed to be correct and binding for all purposes (absent manifest error) if made reasonably and in good faith, subject to Section 5.03(d).

ARTICLE VI.

CONDITIONS PRECEDENT

Section 6.01 Conditions Precedent to Effectiveness of this Agreement. This Agreement shall become effective when (i) it shall have been executed by the Lessor and the Company and any A Percentage Lease Participants and B Percentage Lease Participants required by the Lessor as of the Restatement Closing Date and delivered to the office of the Lessor in Charlotte, North Carolina, and (ii) the Lessor (or the Funding Parties, as specified below) shall have received at its office in Charlotte, North Carolina, or by Lessor's counsel, the following, each being in form and substance satisfactory to the Lessor and (as to this Agreement and the opinions described below) in sufficient counterparts for each Lease Participant:

(a) Certificates of Company and Guarantor. Certificates of the Secretary or Assistant Secretary of each of the Company and the Guarantor setting forth (i) resolutions of its board of directors authorizing the execution, delivery and performance of the obligations contained in this Agreement, with respect to the Company, and the other Operative Documents to which it is a party, with respect to the Company and the Guarantor, (ii) the officers of the Company and the Guarantor specified in such Secretary's Certificates that are authorized to sign this Agreement and the other Operative Documents to which the Company or the Guarantor is a party and, until replaced by another officer or officers duly authorized for that purpose, to act as its respective representative for the purposes of signing documents and giving notices and other communications in connection with this Agreement and the Operative Documents to which it is a party and (iii) true and correct copies of the articles or certificate of incorporation and the bylaws of each of the Company and the Guarantor. The parties to this Agreement may conclusively rely on such certificate until the Lessor (who shall promptly notify all other parties) receives notice in writing from the Company or the Guarantor, as the case may be, to the contrary.

(b) Opinion of Company's and Guarantor's Counsel. Favorable opinions of Sutherland, Asbill & Brennan LLP, special counsel to the Company and the Guarantor, Balch and Bingham LLP, special Alabama counsel to the Company and the Guarantor, Bass, Berry & Sims, special Tennessee counsel to the Company and the Guarantor, and the General Counsel of the Company and the Guarantor (together with a certificate from the Company's and Guarantor's general counsel in form and substance satisfactory to Lessor to the effect that such senior attorney is authorized and permitted to deliver such opinion under the respective bylaws, articles or certificate of incorporation, and internal policies and procedures of the Company and the Guarantor, as to such other matters as any Funding Party, through the Lessor, may reasonably request.

(c) Execution and Delivery of Operative Documents. Each of the other Operative Documents, including the Guaranty, duly completed and executed in sufficient number of counterparts for recording where appropriate.

(d) Recordation of Security Instruments. The Security Instruments (to the extent filing thereof is required for perfection or otherwise under applicable law) and all related financing statements and other requisite filing documents shall have been duly filed in the appropriate offices and, to the fullest extent allowed by applicable law, all costs and taxes associated with such filing shall have been paid or provided for by the Company.

(e) Insurance Certification. The Lessor shall have received (i) a certificate by a firm of independent insurance brokers or consultants chosen by the Company setting forth the insurance obtained, and to be obtained pursuant to the Lease, with respect to the Facility and the Company's operations with respect thereto and (ii) a standard flood hazard determination indicating it is a life of loan determination and, if the Site is located in a flood zone, a signed borrower acknowledgment of the notice of flood hazard and evidence of flood insurance.

(f) Environmental Matters. The Funding Parties, the Arranger, and the Administrative Agent shall have received an Environmental Assessment of the Site (or an update to an Existing Environmental Assessment of the Site if approved by the Lessor in its sole discretion), conducted (or re-certified, if applicable) not more than ninety (90) days before the Restatement Closing Date, demonstrating to their satisfaction that there is no evidence of any hazardous or toxic material or substance which has been generated, treated, stored, released or disposed of on the Site, and that there is no evidence of any violation of any Environmental Requirement and no evidence of any Environmental Damages on or pertaining to the Facility, except as are specified on Schedule 7.01(n).

(g) Lessor Confirmation Letter. The Lessor shall have executed and delivered to Lessee a Lessor confirmation letter in the form of Exhibit G, attached hereto and made a part hereof.

(h) Survey. The Lessor shall have received an updated Survey respecting the Annex Building and the Parking Deck, including a new certification to the Lessor as appropriate; provided, however, the Lessor may, in its sole discretion accept in lieu of an updated Survey, an affidavit of no change, which affidavit shall be in form and content satisfactory to the title insurance company in order to allow the title insurance company to issue or endorse, as applicable, the Title Policy, without qualification or exception relating to the Survey of the Site.

(i) Appraisal. The Funding Parties shall have received an Approved Appraisal of the Property.

(j) Title Insurance. A title insurance company acceptable to the Lessor in its reasonable discretion shall have issued, or provided the Lessor with evidence satisfactory to the Lessor that such title insurance company is irrevocably obligated to issue as of the Restatement Closing Date, the Title Policy or an endorsement to the existing Title Policy

(k) No Default. The fact that no Default or Event of Default shall have occurred and be continuing (under the Original Lease Documents).

(l) Accuracy of Representations, etc. The representations and warranties of the Company contained in this Agreement, and the representations and warranties of the Company and the Guarantor contained in any other Operative Document, are true and correct in all material respects.

(m) Related Contracts; Title. The Lessor shall have good and marketable title to the Facility; and the Lessor shall have received executed copies of all Related Contracts requested by it.

(n) Receipt of Applicable Permits. All Applicable Permits shall have been obtained. All Applicable Permits shall be in proper form, in full force and effect and not subject to any appeal or other unsatisfied contest that may allow modification or revocation thereof.

(o) Casualties. The Facility shall not have suffered (i) a Loss Event or (ii) a Casualty Occurrence other than a Casualty Occurrence for which a plan reasonably acceptable to the

Lessor for replacing, or causing to be replaced, the portions of the Facility that are the subject of such Casualty Occurrence has been provided to the Lessor.

(p) No Material Adverse Change or Effect. No material adverse change shall have occurred in the financial condition of the Guarantor and the Consolidated Subsidiaries on a consolidated basis since December 31, 2012, and no event, act, condition or occurrence shall exist or have occurred that has had, or would reasonably be expected to have, a Material Adverse Effect.

(q) Taxes, Filings, Recordings. All filings or recordings reasonably considered necessary by the Lessor or any Lease Participant have been completed and all taxes and fees in connection therewith, and all Impositions with respect to the Facility that are due and payable, shall have been paid by the Company.

(r) Other. Such other documents as the Lessor or any Lease Participant or special counsel to the Lessor may reasonably request.

Section 6.02 Closing. On the Restatement Closing Date (or in the case of subsection (b), as soon thereafter as the applicable closing conditions shall have been satisfied), at such place as the parties hereto shall agree:

(a) this Agreement and each of the Operative Documents shall be duly executed and delivered by the parties to such documents; and

(b) subject to the satisfaction of the conditions precedent specified in Section 6.01 of this Agreement, the Original Ground Lease shall be deemed amended and restated as set forth in the Ground Lease, the Original Lease Agreement shall be deemed amended and restated as set forth in the Lease, the Original Guaranty Agreement shall be deemed amended and restated as set forth in the Guaranty and this Agreement shall become effective.

ARTICLE VII.

REPRESENTATIONS AND WARRANTIES

Section 7.01 Company Representations and Warranties. The Company (and, by execution and delivery of the Guaranty, the Guarantor) represents and warrants to each Person who now is or hereafter becomes a party to this Agreement that:

(a) Corporate Existence and Power. The Company and the Guarantor are corporations duly incorporated, validly existing and in good standing under the laws of the State of Tennessee and Delaware, respectively. The Company and the Guarantor are each duly qualified to transact business in every jurisdiction where failure to be qualified reasonably could be expected to have a Material Adverse Effect, and has all corporate powers and all government authorizations, licenses, consents and approvals required to engage in its business and operations as now conducted.

(b) Corporate and Governmental Authorization; No Contravention. Neither the execution, delivery and performance by the Company of this Agreement and by the Guarantor of the Guaranty and the other Operative Documents to which each of them is a party nor the consummation of the transactions provided for therein, nor compliance with the provisions thereof will violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Company, the Guarantor or any of their Material Subsidiaries or the Company's, the Guarantor's nor any of their Material Subsidiaries' certificate or articles of incorporation or by-laws or the provisions of any indenture, instrument or agreement to which the Company, the Guarantor or any of their Material Subsidiaries are parties or are subject, or by which they, or their Property, are bound, or conflict with or constitute a default thereunder, or result in the creation or imposition of any Lien in, of or on the Property (including the Site) of the Company, the Guarantor or any of their Material Subsidiaries pursuant to the terms of any such indenture, instrument or agreement, other than such violations, conflicts or defaults which, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. No order, consent, notice, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, any Governmental Authority is required to authorize, or is required in connection with the execution, delivery and performance of, or the legality, validity, binding effect or enforceability of, this Agreement or any of the Operative Documents, except such as would not have a Material Adverse Effect.

(c) Authorization and Validity. The Company and the Guarantor have the corporate power and authority and legal right to execute and deliver this Agreement and the Operative Documents and to perform their obligations thereunder. The execution and delivery by the Company and the Guarantor of this Agreement and the Operative Documents to which each is a party and the performance of their obligations hereunder and thereunder have been duly authorized by proper corporate proceedings, and this Agreement and the Operative Documents constitute legal, valid and binding obligations of the Company and the Guarantor, as applicable, enforceable against the Company and the Guarantor in accordance with their terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally.

(d) Financial Information.

(i) The consolidated balance sheet of the Guarantor and the Consolidated Subsidiaries as of December 31, 2012, and the related consolidated statements of income, stockholders' equity and cash flows for the Fiscal Year then ended, copies of which have been delivered to the Funding Parties, fairly present in all material respects, in conformity with GAAP, the consolidated financial position of the Guarantor and the Consolidated Subsidiaries as of such date and the consolidated results of operations and cash flows for such Fiscal Year.

(ii) Since December 31, 2012, there has been no change in the business, Property, prospects, condition (financial or otherwise) or results of operations of the Company, the Guarantor and the Material Subsidiaries which would have a Material Adverse Effect.

(e) No Litigation. Except as disclosed on Schedule 7.01(e), there is no litigation, arbitration, governmental investigation, proceeding or inquiry pending or, to the knowledge of the Company and the Guarantor, threatened in writing, against or affecting the Guarantor, the Company or any Material Subsidiary which (i) could reasonably be expected to have or cause a Material Adverse Effect or (ii) in any manner draws into question the validity of or could reasonably be expected to impair the ability of the Company or the Guarantor to perform its obligations under this Agreement or any of the Operative Documents executed by the Company or the Guarantor.

(f) Compliance with ERISA. Each Plan complies in all material respects with all applicable requirements of law and regulations, and no ERISA Event has occurred or is reasonably expected to occur with respect to any Plan. No ERISA Insufficiency exists with respect to any Plan. Neither Guarantor nor any ERISA Affiliate is required to contribute to or has ever had a liability to a Multiemployer Plan.

(g) Compliance with Laws; Payment of Taxes. The Guarantor, the Company and each Material Subsidiary is in compliance with all applicable statutes, rules, regulations, orders and restrictions of any Governmental Authority having jurisdiction over the conduct of their respective businesses or the ownership of their respective Property, including the Site, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect. There have been filed on behalf of the Guarantor, the Company and each Material Subsidiary, all Federal tax returns and all other returns which are required to be filed by them, and have paid all taxes due pursuant to said returns or pursuant to any assessment received by the Company, the Guarantor or any Material Subsidiary, except with respect to such tax returns or such taxes, if any, as are not material or are being contested in good faith and as to which in the good faith judgment of the Company, the Guarantor and each Material Subsidiary adequate reserves are being provided. The charges, accruals and reserves on the books of the Guarantor, the Company and each other Material Subsidiary, in respect of taxes or other governmental charges are adequate in the good faith judgment of the Company and the Guarantor. United States income tax returns of the Guarantor, the Company and each other Material Subsidiary have been audited by the Internal Revenue Service through the Fiscal Year ended December 31, 2012.

(h) Subsidiaries. Each of the Material Subsidiaries other than the Company is duly organized, validly existing and in good standing under the laws of its jurisdiction of formation, is duly qualified to transact business in every jurisdiction where, by the nature of its business, such qualification is necessary, and has all corporate powers and all governmental licenses, authorizations, consents and approvals required to carry on its business as now conducted, except where failure to be qualified or to have such powers, licenses, authorizations, consents or approvals would not have and could not reasonably be expected to cause a Material Adverse Effect. As of the date hereof, the Guarantor has no Material Subsidiaries except for the Company and those other Subsidiaries listed on Schedule 7.01(h), which accurately sets forth each such other Subsidiary's complete name and jurisdiction of incorporation.

(i) Investment Company Act. Neither the Guarantor nor the Company is subject to regulation as an "investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

(j) Ownership of Property; Liens. The Guarantor, the Company and each of the other Consolidated Subsidiaries has title to or leasehold or other interests in its material properties sufficient for the conduct of its business, and none of such property is subject to any Lien except Permitted Liens.

(k) Material Agreements; No Default. Neither the Guarantor, the Company nor any Material Subsidiary is a party to any agreement or instrument or subject to any charter or other corporate restriction that could reasonably be expected to have a Material Adverse Effect. Neither the Company, the Guarantor nor any other Material Subsidiary is in default in the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any agreement to which it is a party, which default could reasonably be expected to have a Material Adverse Effect. Neither the Company, the Guarantor nor any other Material Subsidiary is in default in the performance, observance or fulfillment of any of the material obligations, covenants or conditions contained in any agreement or instrument evidencing or governing Indebtedness. No Default or Event of Default has occurred and is continuing.

(l) Full Disclosure. To the best of the Company's knowledge, all written information heretofore furnished by the Guarantor or the Company to the Lessor or any Lease Participant for purposes of or in connection with this Agreement, any of the Operative Documents, or any transaction contemplated hereby or thereby is, and all such information hereafter furnished by the Guarantor or the Company to the Lessor or any Lease Participant will be, true, accurate and complete in every material respect or based on reasonable estimates on the date as of which such information is stated or certified. The Company has disclosed to the Funding Parties in writing any and all facts which reasonably could be expected to have or cause a Material Adverse Effect.

(m) Environmental Matters.

(i) Neither the Guarantor, the Company nor any other Subsidiary is subject to any Environmental Liability which has had or could reasonably be expected to have a Material Adverse Effect and neither the Guarantor, the Company nor any other Subsidiary has been designated as a potentially responsible party under CERCLA or under any state statute similar to CERCLA. None of the Properties of the Company, the Guarantor or any other Material Subsidiary has been identified on any current or proposed (A) National Priorities List under 40 C.F.R. § 300, (B) CERCLIS list or (C) any list arising from a state statute similar to CERCLA.

(ii) No Hazardous Materials have been or are being used, produced, manufactured, processed, treated, recycled, generated, stored, disposed of, managed or otherwise handled at, or shipped or transported to or from the Facility or from any of the Properties owned by the Company, the Guarantor or any other Material Subsidiary or are otherwise present at, on, in or under the Facility or any of the Properties owned by the Guarantor, the Company or any other Material Subsidiary, or, to the best of the actual knowledge of the Company and the Guarantor, at or from any adjacent site or facility, except for (A) Hazardous Materials such as cleaning solvents, pesticides and other materials used, produced, manufactured, processed, treated, recycled, generated, stored, disposed of, managed, or otherwise handled in minimal amounts in the ordinary course of business in compliance with all applicable Environmental Requirements and (B) Hazardous Materials in the form of diesel fuel for purposes of fueling generators used to power the Facility, which fuel is stored in above-ground storage tanks in compliance with all applicable Environmental Requirements.

(iii) The Guarantor, the Company and each of the other Material Subsidiaries has procured all Environmental Authorizations necessary for the conduct of its business, and is in compliance with all Environmental Requirements in connection with the operation of their respective Properties and their respective businesses, except where the failure to procure such authorizations or be in compliance has not had and could not reasonably be expected to have a Material Adverse Effect.

(iv) Except to the extent specified on Schedule 7.01(m), (A) there are no Hazardous Materials on the Facility, other than minimal amounts of cleaning solvents, pesticides and other similar materials used, produced, manufactured, processed, treated, recycled, generated, stored, disposed, managed, or otherwise handled in the ordinary course of business or in management or maintenance of the Facility, (B) no Hazardous Material has migrated from the Facility to, upon, about or beneath other properties, (C) no Hazardous Material has migrated or threatened to migrate from other properties to, upon, about or beneath the Facility, and (D) all Hazardous Materials or solid wastes generated at the Facility have at all times been transported, treated and disposed of in compliance with Environmental Requirements.

(v) Except to the extent specified on Schedule 7.01(m), (A) there is not, nor has there been, constructed, placed, deposited, stored, disposed of or located on the Facility any asbestos in any form, (B) no underground improvements, including treatment or storage tanks, pumps, or water wells, are or have been located on the Facility, (C) there are no polychlorinated biphenyls (PCBs) or transformers, capacitors, ballasts, machinery, fixtures or other equipment which contain PCBs constructed, placed, deposited, stored, disposed of or located on the Facility, (D) the uses and activities of, on or relating to the Facility have at all times complied in all material respects with all Environmental Requirements, and the use which the Guarantor and/or the Company, and their Affiliates, Subsidiaries and/or Sublessees make of the Facility will not result in the disposal or other Environmental Release of any Hazardous Material, (E) the Company or the Guarantor has obtained for the Facility all permits necessary under applicable Environmental Requirements, and (F) the Facility has not been, and is not now, listed on CERCLIS, the Environmental Protection Agency's list of violating facilities established pursuant to the Clean Water Act or the National Priorities List established pursuant to CERCLA.

(vi) Except to the extent specified on Schedule 7.01(m), (A) there exists no judgment, decree, order, writ or injunction outstanding, or litigation, action, suit, claim (including citation or directive) or proceeding pending or, to the knowledge of the Guarantor, the Company or any of the other Material Subsidiaries, threatened, relating to the ownership, use, maintenance or operation of the Facility by any person or entity, or arising from any alleged violation of Environmental Requirements with respect to the Facility, or any alleged liability for Environmental Damages with respect to the Facility, (B) there are no existing facts or conditions that could give rise to any such violation or liabilities, (C) there have been no written or, to the knowledge of the Guarantor, the Company or any of the other Material Subsidiaries, oral reports of environmental investigations, audits, studies, tests, reviews or other analyses conducted by or which have been presented to or are in the possession of the Guarantor, the Company, or any of the other Material Subsidiaries, relating to the Facility, which have not been delivered to the Lessor and (D) neither the Guarantor or the Company nor, to the knowledge of the Guarantor and Company, any of the other Material Subsidiaries, any other person or entity has received any notice or other communication concerning any alleged violation of Environmental Requirements, whether or not corrected to the satisfaction of the appropriate authority, or any notice or other communication concerning alleged liability for Environmental Damages in connection with the Facility.

(vii) From the date hereof, there shall be no actual or threatened Environmental Release of a Hazardous Material on or from the Facility caused by the Guarantor, the Company or any other Subsidiary.

(viii) Except to the extent specified on Schedule 7.01(m), the Company: (A) has obtained all permits, licenses, and other authorizations which are required under Environmental Requirements in association with the Facility; and (B) will be in full compliance with all terms and conditions of such required permits, licenses, and other authorizations associated with the Facility.

(ix) No permits or licenses are required to be obtained or maintained in connection with the use, operation, or ownership of the Facility arising from any portion of the Facility which constitute (A) "wetlands" under any Environmental Requirement, or (B) habitat for species which is deemed to be endangered under any Environmental Requirement, nor are there any ongoing or continuing obligations regarding any portion of the Facility which constitute wetlands. There are no species of plants or animals located on any portion of the Facility which are classified as threatened or endangered under any Environmental Requirement. There have been no written or, to the knowledge of the Guarantor and the Company or any of the other Subsidiaries, oral wetlands delineations conducted by or which have been presented to or are in the possession of the Guarantor, the Company or any of the other Subsidiaries relating to the Facility which have not been delivered to the Lessor.

(n) Capital Stock. All Capital Stock, debentures, bonds, notes and all other securities of the Guarantor and the Company presently issued and outstanding are validly and properly issued in accordance with all applicable laws in all material respects, including but not limited to, the "Blue Sky" laws of all applicable states and the federal securities laws, except where non-compliance has not had and would not reasonably be expected to have a Material Adverse Effect. The Guarantor owns directly or indirectly at least a majority of the issued shares of capital stock of each of the other Consolidated Subsidiaries (other than the Monet Trust, a New York trust in which the Guarantor owns no direct or indirect equity interest but which is a Consolidated Subsidiary as a result of the application of Financial Interpretation Number 46 issued by the Financial Accounting Standards Board).

(o) Use of Proceeds; Margin Stock. This Agreement constitutes an amendment and restatement of the Original Investment Agreement and, among other things, the terms relating to the "Lessor Advances" made thereunder. All of the proceeds of such "Lessor Advances" were used to finance the Facility Cost with respect to the Facility, including the enhancements and improvements made thereto and the design, renovation, construction and installation thereof and were used only in the manner permitted under the Original Lease Documents. The Company is not engaged in the business of extending credit for the purpose of purchasing or carrying any Margin Stock, and no part of the proceeds of any such "Lessor Advances" were used to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock, or be used for any purpose which violates, or which is inconsistent with, the provisions of Regulations T, U or X.

(p) Solvency. The Company, the Guarantor and each Material Subsidiary is Solvent as of the date hereof and will remain Solvent upon the consummation of the transactions contemplated hereby.

(q) Facility Plan. The Facility was constructed prior to the Restatement Closing Date in compliance with, and in accordance with, the Facility Plan. There are no agreements, instruments, licenses or other rights necessary to own, operate, lease or use the Facility, other than the Applicable Permits, the documents and instruments comprising the Facility Plan, and the Operative Documents; and renovation, construction, ownership, operation, leasing or use of the Facility by the Company (and after the expiration or termination of the Lease, the renovation, construction, ownership, operation, leasing or use of the Facility by the Lessor or its successors or assigns) does not and will not infringe on, or otherwise violate, any patents, patent applications, trademarks (whether registered or not), trademark applications, trade names, proprietary computer software, or copyrights of any Person.

(r) Boundaries; Encroachment; Etc. The Facility is situated wholly within the boundary lines of the Site and does not encroach upon any contiguous or adjoining Property (other than those portions of the Facility for which the Lessor has the right to locate and operate such portions pursuant to use or operating agreements); and the Facility does not violate any other easements, rights-of-way, licenses or other agreements affecting the Site.

(s) Anti-Terrorism Laws. None of the Guarantor, the Company, or their Affiliates (i) is an "enemy" or an "ally of the enemy" within the meaning of Section 2 of the Trading with the Enemy Act of the United States (50 U.S.C. App. §§ 1 et seq.), (ii) is in violation of (A) the Trading with the Enemy Act, (B) any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V) or any enabling legislation or executive order relating thereto or (C) the PATRIOT Act (collectively, the "Anti-Terrorism Laws") or (iii) is a Sanctioned Person. The participation by the parties to this Agreement in the transactions contemplated herein will not result in any violation by any Person (including any Funding Party) of any Anti-Terrorism Laws.

Section 7.02 Additional Property Matters. The Company represents and warrants to the Lessor that, to the Company's knowledge, no default by any party exists under the Reciprocal Easement Agreement dated February 1, 2000, by and between the Company and WCI, recorded as instrument #200002/0941 in the Probate Court of Jefferson County, Alabama, as amended by the First Amendment to Reciprocal Easement Agreement dated September 1, 2004, recorded as instrument #200413/6654 in the Probate Court of Jefferson County, Alabama.

ARTICLE VIII.

COVENANTS

The Company (and, by execution and delivery of the Guaranty, the Guarantor) covenants and agrees with the Lessor and each Lease Participant to comply with the following covenants until either (i) the Facility has been purchased by the Company (or one of its Affiliates) for the Purchase Price or (ii) the Lease has been terminated, the Facility has been returned to the Lessor and the Termination Value or the Final Rent Payment, as the case may be, and all other amounts payable under the Lease and the other Operative Documents upon such occurrence have been paid in full:

Section 8.01 Financial Reporting. The Guarantor will deliver to the Lessor and each of the Lease Participants:

(a) Within the later of (i) ninety-five (95) days after the close of each of its fiscal years or (ii) five (5) days after the date such information is filed with the Securities and Exchange Commission or other relevant Governmental Authority, an unqualified audit report certified by independent certified public accountants, acceptable to the Lessor, prepared in accordance with GAAP (or, where applicable, SAP) on a consolidated and consolidating basis (consolidating statements need not be certified by such accountants) for itself and the Consolidated Subsidiaries, including balance sheets as of the end of such period, related profit and loss and reconciliation of surplus statements, and a statement of cash flows (solely with respect to the consolidated statements), accompanied by a certificate of said accountants that, in the course of their examination necessary for their certification of the foregoing, they have obtained no knowledge of any Default or Event of Default, or if, in the opinion of such accountants, any Default or Event of Default shall exist, stating the nature and status thereof;

(b) within fifty (50) days after the close of each quarterly period of each of its fiscal years, for itself and the Consolidated Subsidiaries, consolidated and consolidating unaudited balance sheets as at the close of each such period and consolidated and consolidating profit and loss statements and a consolidated statement of cash flows for the period from the beginning of such fiscal year to the end of such quarter, all certified by its Chief Financial Officer or Chief Accounting Officer;

(c) together with the financial statements required hereunder, a Compliance Certificate in substantially the form of Exhibit E attached hereto signed by an Authorized Officer of the Guarantor (i) showing the calculations necessary to determine compliance with Sections 8.04, 8.19 and 8.24 through 8.27, inclusive, (ii) certifying that the Debt Rating as of the most recent Performance Pricing Determination Date has not changed from the prior Performance Pricing Determination Date, or if it has changed, setting forth such changed Debt Rating, and the change in the Applicable Margin in effect as a result and (iii) stating that no Default or Event of Default exists, or if any Default or Event of Default exists, stating the nature and status thereof;

(d) in the event an ERISA Insufficiency exists, within 270 days after the close of each fiscal year, a statement of the ERISA Insufficiency with respect to each Plan, certified as correct by an actuary enrolled under ERISA;

(e) promptly upon the request of the Lessor or any of the Lease Participants, copies of all the most recent material reports and notices in connection with Plans that the Guarantor or any Material Subsidiary is required to file under ERISA with the Internal Revenue Service or the PBGC or the U.S. Department of Labor, or which the Guarantor or any Material Subsidiary receives from such Governmental Authorities;

(f) as soon as possible and in any event within ten (10) days after receipt by the Company or the Guarantor, a copy of (i) any notice or claim to the effect that the Company, the

Guarantor or any Material Subsidiary is or may be liable to any Person as a result of the release by the Company, the Guarantor or any Material Subsidiary or any other Person of any toxic or hazardous waste or substance into the environment, and (ii) any notice alleging any violation of any federal, state or local environmental, health or safety law or regulation by the Company, the Guarantor or any Material Subsidiary, which, in either case, could reasonably be expected to have a Material Adverse Effect;

(g) upon the earlier of (i) fifteen (15) days after the regulatory filing date or (ii) ninety (90) days after the close of each fiscal year of each Significant Insurance Subsidiary copies of the Annual Statements of each of the Significant Insurance Subsidiaries prepared on the NAIC annual statement blanks (or such other form as shall be required by the jurisdiction of incorporation of each such Significant Insurance Subsidiary), all such statements to be prepared in accordance with SAP consistently applied throughout the periods reflected therein with such prescribed or permitted practices as authorized by state regulatory authorities; and within fifteen (15) days after the regulatory filing date, copies of such Annual Statements certified by independent certified public accountants reasonably acceptable to the Lessor if such certification is so required by any Governmental Authority;

(h) promptly upon the filing thereof, copies of all Forms 10Q and 10K (other than earnings press releases or filings made with respect to guaranteed investment contracts, funding agreements and similar instruments and agreements) that the Guarantor or any Material Subsidiary files with the Securities and Exchange Commission and, upon request, any Forms A and B that the Guarantor or any Material Subsidiary files with any insurance commission or department or analogous Governmental Authority;

(i) if and when any member of the Controlled Group (A) gives or is required to give notice to the PBGC of any "reportable event" (as defined in Section 4043 of ERISA) with respect to any Plan which might constitute grounds for a termination of such Plan under Title IV of ERISA, or knows that the plan administrator of any Plan has given or is required to give notice of any such reportable event, a copy of the notice of such reportable event given or required to be given to the PBGC; (B) receives notice of complete or partial withdrawal liability under Title IV of ERISA, a copy of such notice; or (C) receives notice from the PBGC under Title IV of ERISA of an intent to terminate or appoint a trustee to administer any Plan, a copy of such notice;

(j) promptly, and, in any event, within 5 Business Days after the Company or the Guarantor becomes aware of any Default or Event of Default, a certificate of the chief financial officer or the chief accounting officer of the Company or the Guarantor setting forth the details thereof and the action which the Company or the Guarantor is taking or proposes to take with respect thereto;

(k) promptly upon becoming aware of the occurrence of either a Loss Event or a Casualty Occurrence, or any other event or condition requiring notice under either Section 7 or Section 8 of the Lease, the Company shall give the Lessor written notice thereof, which notice shall specify the damage or loss to the Facility in reasonable detail;

(l) promptly upon the receipt thereof by the Guarantor or the Company, copies of reports, notices, or claims prepared by or on behalf of any Governmental Authority with respect to any adverse action or event that has resulted in the reduction by ten percent (10%) or more in the capital and surplus of any Significant Insurance Subsidiary;

(m) promptly and in any event within ten (10) days after learning thereof, notification of any change after the Restatement Closing Date of any rating given by (A) S&P or Moody's with respect to Guarantor or any Material Subsidiary or (B) A.M. Best & Co. with respect to any Significant Insurance Subsidiary;

(n) promptly notify the Administrative Agent and the Lessor of any issuance of equity by the Guarantor, incurrence by the Guarantor of Indebtedness in an amount in excess of $50,000,000, or disposition by the Guarantor or the Company of tangible Property with a value in excess of $150,000,000;

(o) promptly notify the Administrative Agent and the Lessor of any material change in accounting or financial reporting practices (which may be accomplished by providing the information required in subsections (g) and (h) of this Section or otherwise); and

(p) such other information (including, without limitation, non-financial information) as the Administrative Agent or Lessor may from time to time reasonably request.

Section 8.02 Inspection of Property, Books and Records. The Guarantor will cause the Company, and the Company agrees, to permit Lessor, by its representatives and agents, upon reasonable notice to the Company and the Guarantor, to make a reasonable inspection of the Site, to examine and make copies of the books or accounts and other financial records of the Company and the Guarantor and to discuss the affairs, finances and accounts of the Company and the Guarantor with, and to be advised as to the same by, its representatives and officers at such reasonable times and intervals as the Lessor may designate, provided that the Lessor agrees to keep this and all such information provided under this Agreement confidential. The Company and the Guarantor shall maintain current books or record and accounts as the Company and the Guarantor maintain in the conduct of their respective businesses.

Section 8.03 Related Contracts. The Company, either in its capacity as Lessee under the Lease or as agent for the Lessor, will comply with, maintain execution counterparts of, and promptly upon request by the Lessor from time to time deliver copies of, or after the occurrence of an Event of Default, originals of, all Related Contracts.

Section 8.04 Consolidations, Mergers and Sales of Assets. The Guarantor and the Company will not, nor will the Guarantor or the Company permit any Material Subsidiary to, merge or consolidate with or into, or sell, lease or otherwise transfer all or any substantial part of its assets to, any other Person, provided that (a) the Guarantor, or the Company or a Material Subsidiary may merge with another Person if (i) such Person was organized under the laws of the United States of America or one of its states, (ii) the Company, the Guarantor or a Material Subsidiary is the corporation surviving such merger (provided that in any merger of the Guarantor or the Company and a Material Subsidiary, the Guarantor, the Company or a Material Subsidiary shall be the corporation surviving such merger) and (iii) immediately after giving effect to such merger, no Default shall have occurred and be continuing, (b) Subsidiaries (other than the Company) may merge with one another or into the Company or the Guarantor. The foregoing limitation on merger and consolidation and the sale, lease or other transfer of assets shall not prohibit sales of investment assets in the ordinary course of business, and during any Fiscal Quarter, a merger, consolidation or any transfer of assets (in a single transaction or in a series of related transactions) unless the aggregate assets that are the subject of such merger or consolidation or to be so transferred, when combined with all other assets transferred (including as the result of a merger or consolidation) during such Fiscal Quarter and the immediately preceding three (3) Fiscal Quarters, constituted more than fifteen percent (15%) of Consolidated Total Assets at the end of the most recent Fiscal Year.

Section 8.05 Maintenance of Existence and Amendments to Organizational Agreements . The Guarantor and the Company shall, and the Guarantor and the Company shall cause each other Material Subsidiary to, do all things necessary to remain duly incorporated, validly existing and in good standing as a domestic corporation in its jurisdiction of incorporation and maintain all requisite authority to conduct its business in each jurisdiction in which its business is conducted except where such failure to do so would not have a Material Adverse Effect. The Guarantor will cause each Significant Insurance Subsidiary to (i) carry on or otherwise be associated with the business of a licensed insurance carrier and (ii) do all things necessary to renew, extend and continue in effect all licenses that may at any time and from time to time be necessary for such Significant Insurance Subsidiary to operate its insurance business in compliance with all applicable laws and regulations; provided, however, that any such Significant Insurance Subsidiary may withdraw from one or more states as an admitted insurer or change the state of its domicile, if such withdrawal or change is in the best interests of the Guarantor and the Company and such Significant Insurance Subsidiary. The Guarantor shall not, nor shall it cause any of its Subsidiaries to, amend or permit any amendments to its organizational documents if such amendment could reasonably be expected to have a Material Adverse Effect.

Section 8.06 Dissolution. The Guarantor and the Company shall not suffer or permit dissolution or liquidation either in whole or in part or redeem or retire any shares of its own stock, except through corporate reorganization to the extent permitted by Section 8.04.

Section 8.07 Notice of Default. The Guarantor or the Company will give prompt notice in writing to the Administrative Agent and the Lessor of (i) the occurrence of any Default, Event of Default, default under the Credit Agreement, ERISA Event or any other development, financial or otherwise, that could reasonably be expected to have a Material Adverse Effect, (ii) the receipt of any notice from any Governmental Authority of the expiration without renewal, revocation or suspension of, or the institution of any proceedings to revoke or suspend, any License now or hereafter held by any Significant Insurance Subsidiary which is required to conduct insurance business in compliance with all applicable laws and regulations, other than such expiration, revocation or suspension or institution of such proceedings that, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, (iii) the receipt of any notice from any Governmental Authority of the institution of any disciplinary proceedings against or with respect to any Significant Insurance Subsidiary, or the issuance of any order, the taking of any action or any request for an extraordinary audit for cause by any Governmental Authority which is reasonably expected to have a Material Adverse Effect or (iv) any judicial or administrative order limiting or controlling the insurance business of any Significant Insurance

Subsidiary (and not the insurance industry generally) which has been issued or adopted and which could reasonably be expected to have a Material Adverse Effect.

Section 8.08 Compliance with Laws; Payment of Taxes.

(a) Each of the Guarantor and the Company shall comply with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees or awards to which it may be subject, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect.

(b) Neither the Guarantor nor the Company will (i) terminate, or permit any ERISA Affiliate to terminate, any Plan so as to result in any material (in the opinion of the Lessor) liability of the Guarantor, the Company or an ERISA Affiliate to the PBGC; (ii) permit to exist any occurrence of any Reportable Event (as defined in Title IV of ERISA), or any other event or condition, that presents a material (in the opinion of the Lessor) risk of such a termination by the PBGC of any Plan so as to result in any material (in the opinion of the Lessor) liability of the Guarantor, the Company or any ERISA Affiliate to the PBGC; (iii) be an “employer” (as defined in Section 3(5) of ERISA), or permit any ERISA Affiliate to be an “employer”, required to contribute to any Multiemployer Plan; or (iv) fail to comply in all material respects with any laws or regulations applicable to any Plan.

(c) The Guarantor and the Company shall, and the Guarantor and the Company shall cause each other Material Subsidiary to, pay when due all taxes, assessments and governmental charges and levies upon it or its income, profits or Property, except (i) where the failure to file has not had and would not reasonably be expected to have, a Material Adverse Effect, (ii) those that are being contested in good faith by appropriate proceedings and with respect to which adequate reserves have been set aside.

Section 8.09 Insurance. The Guarantor and the Company shall, and the Guarantor and the Company shall cause each other Material Subsidiary to, maintain (either in the name of the Lessor, the Guarantor or the Company, as applicable), with financially sound and reputable insurance companies, insurance on all or substantially all of its property in such amounts and covering such risks, and with such risk retention or self-insurance as is consistent with sounds business practice for Persons in substantially the same industry or the Guarantor or its Material Subsidiaries. Without limitation of the foregoing, the Company shall maintain or cause to be maintained, with Permitted Insurers, insurance with respect to the Facility and its business in connection therewith of the types and in the amounts specified in the Lease. The Company will deliver or cause to be delivered to the Lessor promptly upon request of the Lessor, and in any event on or prior to January 1st of each calendar year, commencing with January 1, 2014, a certificate by a firm of independent insurance brokers or consultants chosen by the Company and acceptable to the Lessor setting forth the insurance or self-insurance obtained pursuant to the Lease, including, without limitation, the amounts thereof, the names of the insurers and the property, hazards and risks covered thereby, and certifying that the same comply with the requirements of the Lease, that all premiums then due and payable thereon have been paid and that the same are in full force and effect, that the Lessor has been named as additional insured and loss payee, as its interests may appear, under each such policy, and is not liable for payment of premiums thereunder, that such policies may not be cancelled without at least 30 days prior notice to the Lessor with an opportunity to cure any default thereunder. The Lessor shall be entitled to rely on such reports without further investigation of the facts and circumstances set forth therein.

Section 8.10 Maintenance of Property. The Company shall do all things necessary to maintain, preserve, protect and keep the Facility in good repair, working order and condition and make all necessary and proper repairs, renewals and replacements, all in accordance with the requirements of the Lease. Additionally, the Company shall, and shall cause each Material Subsidiary to, do all things necessary to maintain, preserve, protect and keep all of its other properties and assets in good repair, working order and condition and make all necessary and proper repairs, renewals and replacements so that its business carried on in connection therewith may be properly conducted at all times, except where the failure to so maintain, preserve, protect and repair could not reasonably be expected to have a Material Adverse Effect.

Section 8.11 Environmental Notices. The Company shall furnish to the Lessor prompt (and in any event within thirty (30) days after receipt of notice thereof by the Guarantor or the Company) written notice of all Environmental Liabilities, pending or threatened Environmental Proceedings, Environmental Notices, Environmental Judgments and Orders, and Environmental Releases at, on, in, under or in any way affecting the Facility or any of the Properties of the Guarantor, the Company or any adjacent property, and all facts, events, or conditions actually known to the Company that could reasonably be expected to lead to any of the foregoing.

Section 8.12 Environmental Matters. The Guarantor and the Company shall not and shall not permit any Third Party to, use, produce, manufacture, process, treat, recycle, generate, store, dispose of, manage at, or otherwise handle, or ship or transport to or from the Facility or the Properties of the Guarantor or the Company any Hazardous Materials except for (a) Hazardous Materials such as cleaning solvents, pesticides and other similar materials used, produced, manufactured, processed, treated, recycled, generated, stored, disposed of, managed, or otherwise handled in minimal amounts in the ordinary course of business or of management or maintenance of the Facility in material compliance with all applicable Environmental Requirements, and (b) Hazardous Materials in the form of diesel fuel for purposes of fueling generators to power the Facility, which fuel is stored in above-ground storage tanks in compliance with all applicable Environmental Requirements.

Section 8.13 Environmental Release. The Company agrees that upon the occurrence of an Environmental Release at or on the Facility, the Company will act immediately to investigate the extent of, and to take appropriate remedial action to eliminate, such Environmental Release, whether or not ordered or otherwise directed to do so by any Environmental Authority.

Section 8.14 Transactions with Affiliates. Neither the Guarantor, nor the Company, nor any of the other Material Subsidiaries shall enter into any transaction (including, without limitation, the purchase or sale of any Property or service) with, or make payments or transfer to, any Affiliate (other than a Wholly-Owned Subsidiary) except (i) any such transactions, payments or transfers with or to such Affiliates as are made in the ordinary course of business and pursuant to the reasonable requirements of the Guarantor's or such Significant Subsidiary's business and upon fair and reasonable terms no less favorable to the Guarantor's or such Significant Subsidiary than the Guarantor or such Significant Subsidiary would obtain in a comparable arms-length transaction and (ii) any such other transactions, payments or transfers with or to such Affiliates as could not reasonably be expected to have a Material Adverse Effect.

Section 8.15 Further Assurances. The Guarantor and the Company shall cooperate with the Administrative Agent and Funding Parties to promptly cure any defects in the creation, issuance, due execution and/or delivery by it of the Operative Documents, including this Agreement. The Guarantor and the Company at their expense will promptly execute and deliver (or cause to be executed and delivered) to the Lessor or the Administrative Agent upon reasonable request all such other and further documents, agreements and instruments in compliance with or accomplishment of the covenants and agreements of the Guarantor and the Company in the Operative Documents, including this Agreement, or to further evidence and more fully describe the collateral relating to the Facility intended as security for the Lessor Investments and the Lease Participant Investments, or to correct any item that the Company and the Lessor agree constitutes an omission or error in the Operative Documents, or more fully to state the existing security obligations set out herein or in any of the Operative Documents, or to perfect, protect or preserve any Liens created pursuant to any of the Operative Documents, or to make any recordings, to file any notices, or obtain any consents required by the terms of the Operative Documents, all as may be necessary or appropriate in connection therewith.

Section 8.16 Compliance with Certain Documents, Permits, Etc. The Company will perform and observe its obligations under all material agreements and instruments affecting the Facility and all Applicable Permits. The Company, at its expense and as Lessee under the Lease or as agent for the Lessor, will obtain, preserve, protect and maintain in effect all Applicable Permits.

Section 8.17 Maintenance; Etc. The Company shall, at its expense and as Lessee under the Lease or as agent for the Lessor, preserve, protect and maintain in accordance with prudent industry practices their rights in and to the Applicable Permits used in the ordinary course of business of the Facility that are necessary for and material to the operation of the Facility; and the Company shall defend and hold harmless the Lessor and each Lease Participant from and against any cost, liability or expense arising from any claim of infringement, misuse or misappropriation of any of the foregoing.

Section 8.18 Parcel Wall Agreement. Within forty-five (45) days following the Restatement Closing Date, the Company, at its sole cost and expense, will deliver an executed agreement (in form and substance reasonably satisfactory to Lessor) pertaining to the existence of, and terms and conditions governing, the common wall between the Facility and another parcel of real property currently owned by Lessee, which agreement will be recorded in the real estate records of Jefferson County, Alabama.

Section 8.19 Liens, Etc. The Guarantor and the Company shall not, and the Guarantor and the Company shall cause each other Material Subsidiary to not, create, incur, assume or suffer to exist, any Liens in, of or on any Property of the Company, the Guarantor or a Material Subsidiary, now owned or hereafter acquired by it or upon the Facility, except Permitted Liens.

Section 8.20 Facility Permitted Use. The Company shall not under any circumstance undertake to operate or use the Facility except for the Permitted Use.

Section 8.21 Change in Fiscal Year. The Guarantor and the Company shall not, and the Guarantor and the Company shall cause each other Consolidated Subsidiary to not, change its Fiscal Year without the consent of the Lessor (acting at the direction of the Majority Funding Parties).

Section 8.22 Change in Accounting Policies or Reporting Practices. Neither the Guarantor nor the Company shall change its accounting policies or reporting practices, unless in the case of the Guarantor, such change is permitted by GAAP and in the case of the Company, such change is permitted by SAP, and provided such change does not have the effect of curing or preventing what would otherwise be a Default or an Event of Default had such change not taken place.

Section 8.23 Restrictions on Ability of Subsidiaries to Pay Dividends. Except in accordance with any applicable regulatory requirements, the Company shall not, and the Guarantor and the Company shall not permit any Material Subsidiary to, directly or indirectly, create or otherwise cause or suffer to exist or become effective any encumbrance or restriction not in existence on the Restatement Closing Date on the ability of the Company or any such other Subsidiary to (i) pay any dividends or make any other distributions on its Capital Stock or any other interest or (ii) make or repay any loans or advances to the Guarantor, the Company or the other direct parent of such Subsidiary.

Section 8.24 Adjusted Consolidated Net Worth. The Guarantor will maintain at all times Adjusted Consolidated Net Worth equal to not less than the sum of (i) $2,172,683,200 plus (ii) 25% of the Consolidated Net Income of Guarantor and its Subsidiaries, if positive, earned after March 31, 2012, through the last day of the most recent fiscal quarter or year, as applicable, for which statements were delivered or required to have been delivered to the Lessor pursuant to Section 8.01(a) or (b), taken as one accounting period, minus (iii) the Guarantor's consolidated allowance for potential future losses on investments in its investment portfolio not otherwise included for unrealized net gains and losses on assets held for sale pursuant to FASB ASC 320 and accumulated other comprehensive income pursuant to FASB ASC 220 at the end of such fiscal quarter.

Section 8.25 Ratio of Adjusted Consolidated Indebtedness to Consolidated Capitalization. The Guarantor will maintain at all times a ratio of Adjusted Consolidated Indebtedness to Consolidated Capitalization of not more than 0.4 to 1.00.

Section 8.26 Ratio of Unconsolidated Cash Inflow Available for Interest Expense to Adjusted Consolidated Interest Expense. The Guarantor will maintain, , on a rolling four (4) quarter basis, a ratio of Unconsolidated Cash Inflow Available for Interest Expense to Adjusted Consolidated Interest Expense of not less than 2.00 to 1.00.

Section 8.27 Company's Total Adjusted Capital. The Company will maintain at all times Total Adjusted Capital in an amount not less than 4.0 times the Company's Authorized Control Level Risk-Based Capital. As used herein the terms "Total Adjusted Capital" and "Authorized Control Level Risk-Based Capital" have the meanings attributed thereto in Section 56-46-102 of the Tennessee Code Annotated (or, if the Company is no longer domiciled in the state of Tennessee, the equivalent statutes and regulations in its then-current jurisdiction of domicile) as the same may be modified, supplemented or amended from time to time.

Section 8.28 Restricted Payments. The Guarantor will not declare or make any Restricted Payment during any Fiscal Year unless it has first provided for payment of all current principal payments on long-term Indebtedness; provided, that after giving effect to the payment of any such Restricted Payments, no Default shall be in existence or be created thereby.

Section 8.29 Anti-Terrorism Laws. Neither the Guarantor nor the Company shall, nor shall they permit any of their respective Subsidiaries to, (i) conduct any business or engage in any transaction or dealing with any Sanctioned Person, including the making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person; (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to any Anti-Terrorism Law; or (iii) engage in on conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law. Each of the Guarantor and the Company shall deliver to the Lessor, the Administrative Agent, and Lease Participants any certification or other evidence requested from time to time in the Administrative Agent's sole discretion confirming such Person's compliance with this Section.

Section 8.30 Company as Agent of Lessor With Respect to the Facility.

(a) Services. The Company agrees that it shall provide certain services as provided below and elsewhere in the other Operative Documents on the terms set forth below.

(b) Certain Services. From the date on which the Lease terminates as provided therein, including any Lease Termination Date or Cancellation Date (as defined herein), through the date provided in Section 8.30(n), the Company hereby agrees to provide and perform, or cause to be provided or performed, all services, labor, supervision, management, maintenance, repairs, common facilities and consumables necessary for the operation of the Facility for the Permitted Use, in accordance with all Governmental Requirements and Insurance Requirements and within the capability set forth in the Facility Plan, including, without limitation:

(i) To cause all contracts and other agreements, including without limitation all Related Contracts, entered into by the Company on behalf of the Lessor to be assignable, including, without limitation, the right to be subject to the Security Instruments;

(ii) To avoid purchasing Property from or entering into any agreement with its Affiliates in connection with the Facility unless upon fair and reasonable terms that are not less favorable to the Lessor than those which might be obtained in an arm's-length transaction between unaffiliated

Persons in the same business at the time such terms are agreed upon;

(iii) In the event the Company does not exercise its option to purchase the Facility pursuant to Section 15 of the Lease, to attempt to sell the Facility for cash upon the termination or cancellation of the Lease (subject to the Lessor's prior written approval of the terms of the sale), and to grant, bargain, sell, convey or contract for the sale or conveyance of the Facility in the name of the Lessor in connection with the duties in this paragraph;

(iv) To contract with all Vendors and contractors for supplies, equipment, materials and services, including, without limitation, necessary maintenance work affecting the Facility;

(v) To keep and maintain proper books and records relating to the accounts of the Facility and the book value of the Facility and the Property comprising the Facility;

(vi) To pay for, exchange or otherwise settle accounts for the acquisition of supplies, equipment, materials or services affecting the Facility;

(vii) To ask for, demand, collect, recover, and receive, each in the name of the Lessor, all moneys which may become due and owing by reason of conveyances, whether by deed, contract, bill of sale or other instruments or to pay for, exchange or otherwise settle accounts for the acquisition of supplies, equipment, materials or services affecting the Facility; provided however, the Company shall have the right in its reasonable discretion to settle or waive claims in amounts less than $50,000.00;

(viii) To ask for, demand, collect, and recover, each in the name of Lessor, any and all sums that may be due on account of any damage to any of the Facility;

(ix) To manage correspondence and conduct communications with all Governmental Authorities with regard to matters affecting the Facility, including, but not limited to, the acquisition of all Permits and satisfaction of all Governmental Requirements and Insurance Requirements and with regard to rights of way and easements, if any, affecting the Facility;

(x) To provide the Lessor with copies of material Related Contracts executed by the Company as Lessor's agent or on behalf of the Lessor promptly following such execution; and

(xi) To provide such additional services as may be reasonably requested by the Lessor for the full and efficient operation of the Facility

(c) Easements, Utilities, Services and Contracts. Within one hundred twenty (120) days prior to the Scheduled Lease Termination Date (or immediately if the Lease terminates on any Cancellation Date or Lease Termination Date which is not a Scheduled Lease Termination Date), and provided that the Company shall not have elected to purchase, or purchased, the Facility pursuant to the terms of the Lease, at all times thereafter for the term of this Agreement, the Company, at no cost to the Lessor, shall provide, either directly or indirectly, to the Lessor, in compliance with all Governmental Requirements (including, without limitation, all Environmental Requirements, Environmental Authorizations and Environment Judgments and Orders and Insurance Requirements), as confirmed by the Lessor, (i) all rights of ingress and egress, rights-of-way, easements (which easements shall be reasonably direct and shall provide for access over any servient estate created thereby, including the rights to use existing transmission lines), access and real property licenses and rights in real property over or to the Site, (ii) access to storage, transportation and maintenance facilities, fixtures and appurtenances, (iii) an inventory of supplies necessary for the full and efficient operation of the Facility, and (iv) services (whether on- or off-Site, including any shared off-site facilities), including, without limitation, water, electricity, heating, ventilation, air conditioning, lighting, security, steam, waste water treatment and sanitation, receiving and shipping facilities as such rights, licenses, easements, services and utilities are or may be necessary for the full and efficient operation of the Facility.

(d) Equipment and Other Rights.

(i) Within one hundred twenty (120) days prior to the Scheduled Lease Termination Date (or immediately if the Lease terminates on any Cancellation Date or Lease Termination Date which is not a Scheduled Lease Termination Date), and provided that the Company shall not have elected to purchase, or purchased, the Facility pursuant to the Lease, at all times thereafter for the term of this Agreement, the Company shall:

(A) provide to the Lessor, by rent-free lease or other similar arrangement, any and all equipment and maintenance tools, and, for a price equal to the Company's cost therefor if not included in the Facility Cost, all spare parts (including, without limitation, rebuilt parts and major components) and maintenance equipment not covered by the services provided, or caused to be provided, pursuant to the Operative Documents, as are or may be customarily maintained on the Site by the Company for the operation of the Facility in the manner described herein;

(B) in compliance with all Governmental Requirements, transfer, or cause to be transferred, to the Lessor any and all equipment inspection reports and maintenance records and all licenses and Applicable Permits required to operate the Facility and all such equipment located on the Site as confirmed by the Lessor;

(C) provide, or cause to be provided, to the Lessor, by non-exclusive, royalty free license or other similar arrangement, rights to all patents, patent applications, proprietary computer software, operating and other manuals, "know-how," copyrights or other intellectual property (excluding trade names and trademarks) as are or may be necessary for the operation of the Facility in the manner described herein.

(ii) The Company represents and warrants to the Lessor that as of the Restatement Closing Date, and at all times thereafter during the term of this Agreement, the construction, assembly, ownership, use, occupancy, maintenance and operation of the Facility and Property included therein does not and will not cause a violation of any Governmental Requirements or Insurance Requirements.

(e) Cost of Services and Rights.

(i) Any and all services described in Section 8.30(c) and all easements and other rights in real property existing or necessary for the full and efficient operation of the Facility during the term of this Agreement shall be provided (A) to the Lessor as specified in Section 8.30(b), and (B) in the case of such easements and other rights in real property as aforesaid, on the terms set forth in Section 8.30(e)(ii) to any Person acquiring title or use of the Facility other than the Lessor.

(ii) Unless otherwise provided herein, any and all services and supplies provided by the Company pursuant to this Section after the Lease Termination Date (or any earlier date on which the Lease terminates as provided therein) and for so long as this Agreement remains in effect (i) which are generally commercially available shall be priced at fair market value, and on arms-length terms and conditions subject to applicable provisions of agreements with producers, shippers and suppliers and Governmental Requirements, or (ii) which are not generally commercially available shall be priced at an amount equal to the Company's cost (excluding any profit margin).

(f) Reversion of Rights and Contracts. Upon payment of the Purchase Price as provided in Section 15 of the Lease: (a) the various agreements, licenses, Applicable Permits and contracts, including without limitation Related Contracts, to be provided hereunder by Company to the Lessor shall revert to the Company (or be transferred to the Company), (b) service contracts with the Company, property rights and licenses granted by the Company to the Lessor shall terminate or be transferred to the Company, and (c) third-party service contracts shall be assigned by the Lessor to the Company, all the foregoing transfers and assignments to be made without recourse and without any representation or warranty whatsoever, other than the absence of "Lessor Liens", as defined in Section 16(a)(i) of the Lease. Upon the termination of the Lease and the failure of the Company, the Guarantor or one of their Affiliates to purchase the Facility as provided in Section 15 of the Lease, all such agreements, Applicable Permits, contracts, property rights and licenses and Third Party service contracts, including without limitation Related Contracts, shall remain in place unless terminated by the Lessor.

(g) Additional Support. In the event that none of the Company, the Guarantor or any of their Affiliates purchases the Facility from the Lessor pursuant to the Lease, the parties hereto agree to negotiate in good faith to provide to the Lessor such support in addition to that provided for in this Agreement as the Lessor reasonably may deem necessary to maintain, use, occupy and operate the Facility for the Permitted Use or any other purpose requested by the Lessor.

(h) Personnel. The Company shall at all times employ, or cause to be employed, qualified and properly trained personnel to perform the Company's obligations under this Section, and shall pay all wages and benefits required by law or contract. The Company shall be responsible for all matters relating to labor relations, working conditions, training, employee benefits, safety programs and related matters pertaining to such employees. The Lessor shall have the right to request the removal from the Facility of any personnel reasonably deemed unqualified by the Lessor.

(i) Warranties and Guarantees. The Company shall use its best reasonable efforts consistent with good industry practices to obtain warranties for the Lessor for parts, equipment, materials or services provided by third-party suppliers in fulfilling the Company's obligations under this Agreement. The Company shall comply with all applicable warranties and guarantees presented by Vendors or contractors, and shall take no action that in any way impairs any rights or claims of the Lessor under this Agreement or any Vendor's or other Person's warranty. Without limiting the foregoing, the Company shall use spare parts that will not adversely affect the Lessor's protection or rights under such warranties or guarantees.

(j) Removal. The Lessor may at any time, upon five (5) days' written notice, terminate its engagement of the Company under this Section to maintain and operate the Facility, without terminating this Agreement; provided, however, that the Lessor shall, upon two weeks' written notice to the Company, be entitled to request the Company to resume its duties under this

Section for the duration of the term of this Agreement to maintain and operate the Facility and the Company shall comply with such request.

(k) Independent Contractor Status. The Lessor acknowledges that the Company, in performing its duties under this Section to maintain and operate the Facility, is acting as an independent contractor and except as otherwise expressly provided by this Agreement, none of the Lessor, the Administrative Agent, nor the Lease Participants shall have the right to control the conduct of the Company or its personnel in the proper performance of the obligations of the Company under this Section. The Company acknowledges that the Lessor is the owner of the Facility and, as such, is entitled to control the Facility and its use, subject to the provisions of this Agreement, the Lease, and the other Operative Documents.

(l) Support Expenses. All reasonable and necessary costs associated with the continued normal operation, preservation and maintenance of the Facility in the manner provided herein during the period commencing on the date on which the Lease terminates as provided therein, including any Lease Termination Date or Cancellation Date, through the date provided in Section 8.30(n) ("Support Expenses") shall be timely advanced by the Company on behalf of Lessor subject to reimbursement as hereafter set forth. All such Support Expenses advanced by the Company shall be accounted for by the Company and reported to Lessor pursuant to monthly written operating reports certified by an authorized officer of the Company. The Lessor shall reimburse the Company for support expenses actually advanced by the Company together with simple interest thereon at the Base Rate per annum, on the earlier to occur of the date following (i) the termination of this Agreement in accordance with Section 8.30(n), or (ii) the date the Facility is sold by or on behalf of the Lessor (and if this Agreement is terminated by the Lessor prior to the sale of the Facility by the Company on behalf of the Lessor, the Lessor shall use reasonable commercial efforts to sell the Facility as soon as is reasonably practical, taking into account the then existing real estate market and the ability to realize sufficient proceeds to pay in full all of the Lessor Investment, Yield thereon and other amount due and payable under the Lease and the other Operative Documents). Reimbursement under subsection (i) of this Section 8.30(l) shall be reimbursed by the Lessor solely out of available excess proceeds from the sale of the Facility under Section 15 of the Lease and reimbursement under subsection (ii) of this Section 8.30(l) shall be reimbursed by the Lessor solely out of available excess proceeds from the sale of the Facility by the Lessor as contemplated therein. In no event shall the Lessor be obligated to reimburse the Company for Support Expenses except to the extent of available excess proceeds described above. The Company's right to reimbursement pursuant hereto shall at all times and in all respects be subject and subordinate to the rights of the Lessor to receive full repayment of the Unrecovered Lessor Investments, including Yield thereon. Notwithstanding anything to the contrary contained herein, the Company shall not be entitled to reimbursement for any costs expended or incurred from the Lease Termination Date or Cancellation Date, as applicable, through the Purchase Closing Date, if extended by the Lessor under Section 15(e) of the Lease, in the event that the Company elects to purchase the Facility and elects to remain in possession of the Facility pursuant to the license referenced in Section 15(e) of the Lease. All such costs shall be the responsibility of the Company and shall represent the license fee payable in consideration of the rights afforded under such license.

(m) Standard of Care. The Company shall perform all of its duties and obligations under this Section in accordance with the standards mandated under Section 7 of the Lease as if fully set forth herein (which standards are hereby incorporated, *mutatis mutandis*, herein by reference) and in a good, workmanlike and commercially reasonable manner. The Company shall exercise such care and in the same manner as would a prudent Person engaged in the business of managing and operating Property similar to the Facility, used in a similar location for the Permitted Use, in the advancement and protection of such Person's own economic interests and the maximization of such Person's profits therefrom. Maintenance shall be scheduled so as to minimize interference with the use, occupation and operation of the Facility and cost consistent with good industry operating and safety standards and all Governmental Requirements and Insurance Requirements.

(n) Termination of the Company's Obligations Under Section 8.30. Except as otherwise expressly provided herein, the Company's obligations under this Section shall commence on the Restatement Closing Date and shall terminate upon the expiration or other termination of the Lease and consummation of the purchase by the Company or the Guarantor (or an Affiliate thereof) of the Facility for the Purchase Price in accordance with the Lease; provided, however, that upon the termination of the Lease, and provided that the Company or the Guarantor (or an Affiliate thereof) shall not have purchased and paid the Purchase Price for the Facility in accordance with the terms of the Lease, this Section shall continue in full force and effect until the date the Facility is sold to a Person other than the Lessee or any of its Affiliates or any earlier written notice from the Lessor of its election to terminate this Agreement.

ARTICLE IX.

EVENTS OF DEFAULT

Section 9.01 Events of Default. The occurrence and continuation of any one or more of the following events shall constitute an " Event of Default:"

(a) The Company, in its own capacity or in the capacity as Lessor's agent or as Lessee under the Lease, defaults in the payment of the principal amount of any Lessor Investment when due; or default in the payment of any Yield on any Lessor Investment when due; or defaults in the payment of any other amounts payable by it hereunder or under the Operative Documents to the Funding Parties when due and such default continues for five (5) Business Days thereafter; or defaults in the payment of any other amounts payable hereunder or under any other Operative Documents to agents, attorneys and consultants of the Lessor or any Lease Participant when due and such nonpayment continues for thirty (30) days thereafter; or

(b) Any representation, warranty, certification or statement made by the Guarantor or the Company in Article VII of this Agreement or in any other Operative Document or in any certificate, financial statement or other document delivered pursuant to this Agreement or any other Operative Document proves to have been incorrect or misleading in any material respect when made or reaffirmed (or deemed made or reaffirmed); or

(c) The Guarantor or the Company fails to observe or perform any covenant or agreement contained in subsection (c) of Section 8.01, in Section 8.02, in Sections 8.04 through 8.06 inclusive, or in Sections 8.23 through 8.28, inclusive, of this Agreement; or

(d) The Company fails to observe or perform any covenant or agreement contained or incorporated by reference in this Agreement (other than those covered by subsections (a) and (c) above), or the Guarantor fails to observe or perform any other covenant or agreement contained or incorporated by reference in the Guaranty, and in either case such failure is not cured within thirty (30) days after the earlier to occur of (i) written notice thereof to the Guarantor and the Company by the Lessor at the request of the Majority Funding Parties or (ii) either the Vice President-Investments or the Controller (or if no person has such title, any other officer having similar functions, regardless of title) of the Guarantor or the Company otherwise becomes aware of any such failure; or

(e) A “Lease Event of Default” occurs, any other default or event of default occurs under any other Operative Document, or any default or event of default occurs under the Credit Agreement; or

(f) The Guarantor, the Company or any other Consolidated Subsidiary fails to make any payment in respect of Indebtedness outstanding in an aggregate principal amount equal to or greater than $15,000,000 (excluding Indebtedness incurred pursuant hereto) after the expiry of any applicable grace period; or

(g) Any other event or condition occurs which (i) results in the acceleration of the maturity of Indebtedness (other than Indebtedness which would not constitute a “liability” in accordance with GAAP) outstanding of the Guarantor, the Company or any other Consolidated Subsidiary in an aggregate principal amount equal to or greater than $15,000,000 (including, without limitation, any required mandatory prepayment or “put” of such Indebtedness to the Guarantor (other than a “put” which is not predicated solely on the basis of a breach or other default by the Guarantor, the Company or any other Consolidated Subsidiary), the Company or any other Consolidated Subsidiary) or (ii) enables (or, with the giving of notice or lapse of time or both, would enable) the holders of such Indebtedness or any Person acting on such holders’ behalf to accelerate the maturity thereof (including, without limitation, any required mandatory prepayment or any such “put” of such Indebtedness to the Guarantor, the Company or any other Consolidated Subsidiary); or

(h) The Guarantor, the Company or any other Consolidated Subsidiary commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or consents to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or makes a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or takes any corporate action to authorize any of the foregoing; or

(i) An involuntary case or other proceeding is commenced against the Guarantor, the Company or any other Consolidated Subsidiary seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding remains undismissed and unstayed for a period of thirty (30) days; or an order for relief is entered against the Guarantor, the Company or any other Consolidated Subsidiary under the federal bankruptcy laws as now or hereafter in effect; or

(j) The Guarantor, the Company or any member of the Controlled Group fails to pay when due any material amount which it shall have become liable to pay to the PBGC or to a Plan under Title IV of ERISA; or notice of intent to terminate a Plan or Plans is filed under Section 4041(c) of ERISA by the Company, any member of the Controlled Group, any plan administrator or any combination of the foregoing; or the PBGC institutes proceedings under Title IV of ERISA to terminate or to cause a trustee to be appointed to administer any such Plan or Plans or a proceeding is instituted by a fiduciary of any such Plan or Plans to enforce Section 515 or 4219(c)(5) of ERISA and such proceeding is not dismissed within thirty (30) days thereafter; or a condition exists by reason of which the PBGC would be entitled to obtain a decree adjudicating that any such Plan or Plans must be terminated, if the PBGC gives notice of its intention to seek or takes any action seeking to obtain such a decree; or

(k) One or more judgments or orders for the payment of money in an aggregate amount in excess of $15,000,000 (exclusive of amounts fully covered by insurance) is rendered against the Guarantor, the Company or any other Consolidated Subsidiary and such judgment or order continues unsatisfied and unstayed for a period of forty-five (45) days; or

(l) A federal tax lien is filed against the Guarantor, the Company or any other Consolidated Subsidiary under Section 6323 of the Code or a lien of the PBGC is filed against the Guarantor, the Company or any other Consolidated Subsidiary under Section 4068 of ERISA and in either case the amount involved is in an aggregate amount in excess of $15,000,000 and such lien remains undischarged for a period of sixty (60) days after the date of filing;

(m) Any of the Operative Documents ceases, for any reason, to be in full force and effect or the Guarantor or the Company so asserts; or

(n) A Change of Control occurs.

Section 9.02 Remedies.

(a) Upon the occurrence and continuation of any Event of Default (other than a Limited Recourse Event of Default):

(i) other than an Event of Default referred to in Sections 9.01(h) or (i), the Lessor may and, upon request of the Majority Funding Parties shall, declare the principal amount of the Unrecovered Lessor Investments and the accrued Yield thereon and all other amounts payable by the Company hereunder and under the other Operative Documents to be forthwith due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other formalities of any kind, all of which are hereby expressly waived by the Company;

(ii) in the case of the occurrence of an Event of Default referred to in Sections 9.01(h) or (i), the Unrecovered Lessor Investments and the accrued Yield thereon and all other amounts payable by the Company hereunder and under the other Operative Documents shall become automatically immediately due and payable without presentment, demand, protest, notice of intent to accelerate, notice of acceleration or other formalities of any kind, all of which are hereby expressly waived by the Company; and

(iii) at the direction of the Majority Funding Parties, Lessor shall take such other action and exercise such remedies pursuant to the Operative Documents as are available to it under law or in equity.

(b) Notwithstanding Section 9.02(a)(i) and (ii), the Guarantor or the Company may cure any Default or Event of Default under Section 9.01 by paying the Termination Value or purchasing the Facility as provided in Section 15(c) of the Lease for the Purchase Price.

(c) No Lease Participant may initiate or pursue remedies unless and until the Lessor initiated remedies against the Facility, the Guarantor or the Company. In the event the Lessor has initiated remedies, the Lease Participants may join in enforcement of remedies against the Facility, the Guarantor or the Company.

(d) If the Majority Funding Parties have instructed the Lessor to sell or foreclose on the Facility and other collateral in accordance with the Security Instruments and the Lease, then (i) the net cash sales or foreclosure proceeds to be received must at least equal an amount equal to the Funded Amount, plus all other amounts then owing to the Funding Parties hereunder and under the other Operative Documents and (ii) the Majority Funding Parties may not, without the consent of the Lessor, instruct the Lessor to sell the Facility or any portion thereof for an amount less than sufficient to pay in full the Funded Amount pursuant to Section 3.05, or instruct the Lessor to foreclose on the Facility in accordance with the Security Instruments and the Lease for a cash bid which is not sufficient to pay in full the Funded Amount.

(e) The Funding Parties agree not to exercise their remedies against the Facility under the Security Instruments unless an Event of Default (other than a Limited Recourse Event of Default) has occurred and is continuing hereunder and the Lease has terminated and the Guarantor or the Company (or any Affiliate thereof) shall not have purchased the Facility on or before the Cancellation Date.

(f) Any other term or provision hereof, or in any other Operative Document, to the contrary notwithstanding, upon the occurrence of an Event of Default which constitutes a Limited Recourse Event of Default, the Lessor may, and upon request of the Majority Funding Parties shall, notify the Company of its election to terminate the Lease in accordance with Sections 2 and 15 of the Lease, at which time a Termination Event shall be deemed to have occurred and the Lessor and the Lease Participants shall have the rights with respect thereto as set forth in the Lease and the other Operative Documents. For purposes of certainty, nothing herein shall prohibit the Lessor and the Lease Participants from exercising remedies under the Lease and under Section 9.02(a) in connection with the occurrence of an Event of Default which occurs after a Termination Event and the undertaking of actions in response thereto.

ARTICLE X.

THE LESSOR AS SERVICING AGENT FOR THE LEASE PARTICIPANTS; THE ADMINISTRATIVE AGENT

Section 10.01 Lessor as Servicing Agent.

(a) Appointment, Powers and Immunities. Each Lease Participant hereby appoints and authorizes the Lessor to take such action as servicing agent on its behalf and to exercise such powers under this Agreement as are delegated to the Lessor by the terms hereof, together with such powers as are reasonably incidental thereto. As to any matters not expressly provided for by this Agreement (including, without limitation, enforcement of this Agreement or collection of the Lessor Investments), the Lessor shall not be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Majority Funding Parties, and such instructions shall be binding upon all Lease Participants; provided, however, that the Lessor shall not be required to take any action which exposes the Lessor to personal liability or which is contrary to this Agreement or applicable law. The Lessor agrees to give to each Lease Participant prompt notice of each notice given to it by the Guarantor or the Company pursuant to the terms of this Agreement or any of the Operative Documents.

(b) Reliance by Lessor. Neither the Lessor nor any of its respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with this Agreement, except for its or their own gross negligence or willful misconduct or its failure to pay to any Lease Participant its Percentage Share of any Rent or other amounts in which such Lease Participant has an Ownership Interest which the Lessor actually has received. Without limitation of the generality of the foregoing, the Lessor: (i) may treat any Lease Participant as the owner of its Ownership Interest until the Lessor receives and accepts an Assignment and Acceptance entered into by such Lease Participant, as assignor, and an Eligible Assignee, as assignee, as provided in Section 11.06; (ii) may consult with legal counsel (including counsel for the Guarantor or the Company), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (iii) makes no warranty or representation to any Lease Participant and shall not be responsible to any Lease Participant for any statements, warranties or representations (whether written or oral) made in or in connection with this Agreement or any of the other Operative Documents; (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of this Agreement or any of the other Operative Documents on the part of the Guarantor or the Company or to inspect the Facility or the property (including the books and records) of the Guarantor or the Company; (v) shall not be responsible to any Lease Participant for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement, any other Operative Documents or any other instrument or document furnished pursuant hereto; (vi) shall incur no liability under or in respect of this Agreement or the Operative Documents by acting upon any notice, consent, certificate or other instrument or writing (which may be by telecopier or e-mail) believed by it to be genuine and signed or sent by the proper party or parties; and (vii) shall act or refrain from acting, and shall be fully protected in acting or refraining from acting, in selling or otherwise disposing of the Facility in accordance with the

Security Instruments, upon receiving instructions signed by the Majority Funding Parties.

(c) Defaults. The Lessor shall not be deemed to have knowledge of the occurrence of a Default (other than the non-payment of Rent) unless the Lessor has received notice from a Lease Participant or the Company specifying such Default and stating that such notice is a "Notice of Default." The Lessor shall give prompt notice to the Lease Participants of each non-payment or any notice of Default Lessor receives from a Lease Participant. The Lessor shall take such action with respect to such Default as shall be directed by the Majority Funding Parties as provided in Section 9.02, provided that, unless and until the Lessor shall have received such directions, the Lessor may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default as it shall deem advisable in the best interest of the Funding Parties.

(d) Rights as a Funding Party. With respect to its Lessor Investment and its Ownership Interests, the Lessor shall have the same rights and powers under this Agreement as any other Funding Party (except to the extent the rights and obligations of the Lessor as such are expressly different from the rights of the Lease Participants as such) and may exercise the same as though it were not acting as the agent of the Lease Participants as provided herein; and the term "Funding Party" or "Funding Parties" shall, unless otherwise expressly indicated, include the Lessor in its individual capacity. The Lessor and its affiliates may accept deposits from, lend money to, act as trustee under indentures of, and generally engage in any kind of business with, the Guarantor, the Company, any of the other Subsidiaries and any Person who may do business with or own securities of the Guarantor or any of the Subsidiaries, all as if the Lessor were not the agent of the Lease Participants pursuant hereto and without any duty to account therefor to the Lease Participants.

(e) Indemnification by Lease Participants. The Lease Participants agree to indemnify the Lessor (to the extent not reimbursed by the Company), ratably according to their respective Ownership Interests, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, orders, suits, costs, expenses or disbursements of any kind or nature whatsoever which may be imposed on, incurred by, or asserted against the Lessor in any way relating to or arising out of this Agreement or any of the Operative Documents or any action taken or omitted by the Lessor under this Agreement or any of the Operative Documents, provided that no Lease Participant shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, orders, suits, costs, expenses or disbursements resulting from the Lessor's gross negligence or willful misconduct, or Lessor's failure to pay to any Lease Participant its Percentage Share of any Rent or other amounts in which such Lease Participant has an Ownership Interest which the Lessor actually has received. Without limitation of the foregoing, each Lease Participant agrees to reimburse the Lessor promptly upon demand for its ratable share of any out-of-pocket expenses (including reasonable counsel fees) incurred by the Lessor in connection with the preparation, execution, delivery, administration, modification, amendment or enforcement (whether through negotiations, legal proceedings, in bankruptcy or insolvency proceedings, or otherwise) of, or legal advice in respect of rights or responsibilities under, this Agreement or the other Operative Documents, to the extent that the Lessor is not reimbursed for such expenses by the Guarantor or the Company.

(f) Indemnification by Lessor. Solely to the limited extent, if any, monies are received by Lessor from the Company with respect to the Indemnified Risks and without recourse to the Lessor except with respect to such monies received, the Lessor agrees to indemnify and save harmless each other Indemnified Party, from and against all liabilities, Liens, Taxes, actual losses, obligations, claims, damages (including, without limitation, penalties, fines, court costs and administrative service fees), penalties, demands, causes of action, suits, proceedings (including any investigations, litigation or inquiries), judgments, orders, sums paid in settlement of claims, and actual costs and expenses of any kind or nature whatsoever, including, without limitation, reasonable out-of-pocket attorneys' fees and expenses and all other expenses incurred, suffered or realized in connection with investigating, defending or preparing to defend any cause of action, suit or proceeding (including any investigations, litigation or inquiries) or claim which is incurred by or asserted against or involve any of them as a result of, arising directly or indirectly out of or in any way related to any of the Indemnified Risks.

(g) Non-Reliance on Lessor and other Lease Participants. Each Lease Participant acknowledges that it has, independently and without reliance upon the Lessor or any other Lease Participant and based on the financial statements referred to in Section 7.01(d) and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lease Participant also acknowledges that it will, independently and without reliance upon the Lessor or any other Lease Participant and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement. Except for notices, reports and other documents and information expressly required to be furnished to the Lease Participants by the Lessor hereunder, the Lessor shall not have any duty or responsibility to provide any Lease Participant with any credit or other information concerning the affairs, financial condition or business of the Guarantor, the Company or any affiliates thereof, which may come into the possession of the Lessor or any of its affiliates.

(h) Failure to Act. The Lessor shall in all cases be fully justified in failing or refusing to act hereunder or under the other Operative Documents unless it shall be indemnified to its satisfaction by the Lease Participants against any and all liability and expenses which may be incurred by it by reason of taking or continuing to take any such action.

Section 10.02 Appointment of the Administrative Agent.

(a) The parties hereto acknowledge and agree that Lessor may, and hereby does, appoint the Administrative Agent to undertake and perform on its behalf all of Lessor's administrative and servicing obligations under the Operative Documents, including, without limitation, (i) sending and receiving notices by or on behalf of the Lessor (all of which notices, when delivered by the Administrative Agent, shall constitute constructive delivery thereof by the Lessor and, when received by the Administrative Agent, shall constitute constructive receipt thereof by the Lessor), (ii) the collection and disbursement of all payments which are to be made to or from Lessor to any other party (including, without limitation, the payment of Rent, Supplemental Rent, Yield, payments under the Guaranty, the proceeds of any collateral, the proceeds of any right of setoff, and insurance or condemnation proceeds), (iii) the receipt, on Lessor's behalf, of any reports, financial statements, and other information required to be delivered to the Lessor under the Operative Documents (including, without limitation, the financial statements required to be delivered pursuant hereto, and environmental reports), all of which, when received by the Administrative Agent shall constitute constructive receipt thereof by the Lessor, (iv) maintaining the Register in accordance with Section 11.06(e), (v) delivering notices with respect to Yield and the Applicable Margin, (vi) reviewing and approving or disapproving proposed subleases pursuant to Section 21(c) of the Lease (provided, that all subleases in effect as of the Restatement Date are approved by the Lessor and Lease Participants) and (vii) exercising, to the extent requested by Lessor from time to time, all rights and remedies afforded Lessor, and on the Lessor's behalf, under the Operative Documents.

(b) In performing its duties as the Administrative Agent hereunder, the Administrative Agent shall be entitled to all of the rights and benefits afforded Lessor as servicing agent under Section 10.01, all of which are incorporated by reference into this Section in favor of the Administrative Agent, *mutatis mutandis*, including, without limitation, the rights with respect to indemnification from the Lease Participants, the benefits of any exculpation afforded Lessor under Section 10.01, rights with respect the failure or refusal to act, and the rights as a Funding Party (if the Administrative Agent is or becomes a Funding Party).

(c) Each of the parties hereto (and the Guarantor by execution and delivery of the Guaranty) agrees to abide by the provisions of this Section and other provisions in the Operative Documents in respect of the Administrative Agent's role and function in connection with the administration of the transactions contemplated herein and therein by, among other things, making all payments of money (whether as Rent, proceeds, or otherwise) which would otherwise be payable to Lessor directly to the Administrative Agent and sending all notices which would otherwise be sent to Lessor directly to the Administrative Agent.

(d) Each of the parties hereto (and the Guarantor by execution and delivery of the Guaranty) agrees that (i) notice under any of the Operative Documents delivered to the Administrative Agent shall constitute constructive receipt thereof by Lessor and that notice delivered by the Administrative Agent shall constitute in all respects notice delivered by the Lessor under the Operative Documents and (ii) receipt by the Administrative Agent of any payment under the Operative Documents which would otherwise be payable to or for Lessor's account shall constitute receipt thereof by the Lessor.

(e) The Guarantor acknowledges and agrees to the provisions of this Section by its execution and delivery of the Guaranty.

ARTICLE XI.

MISCELLANEOUS

Section 11.01 Amendments, Etc. The parties hereby agree that (a) no amendment, modification or waiver of any provision of this Agreement, and no consent to any departure by the Company herefrom, shall be effective against the Company, the Lessor, the Administrative Agent, or the Lease Participants unless it shall be in writing and signed by the Company and the Majority Funding Parties; (b) no amendment, modification or waiver of any provision of the Guaranty, and no consent to any departure by the Guarantor therefrom, shall be effective against the Guarantor, the Lessor or the Lease Participants, unless signed by the Guarantor and the Lessor, with the consent of all of the Lease Participants; and (c) no amendment, modification or waiver of any provision of any other Operative Documents, and no consent to any departure by the Company or the Guarantor, as applicable, therefrom, shall be effective against the Guarantor or the Company, as applicable, or the Lessor or the Lease Participants unless signed by the Persons executing such Operative Document, the Guarantor and/or the Company, as applicable, and the Lessor, with the consent of the Majority Funding Parties; provided, however, that: (i) no such amendment, waiver or consent shall, unless in writing and signed by the Company, all the Funding Parties, and the Administrative Agent, be effective to (A) amend this Section or (B) or change the definition of "Final Rent Payment," "Termination Value," or "Purchase Price"; (ii) no such amendment, waiver or consent shall, unless in writing and signed by all the Funding Parties, be effective to (A) subject any Funding Parties to any additional obligation, (B) reduce or forgive all or any portion of the principal of the Lessor Investments or Yield thereon or reduce the rates used to determine Yield (including, without limitation, the Pricing Schedule), (C) postpone or otherwise change any date fixed for any payment of the principal of the Lessor Investments or Yield thereon, (D) change the definition of "Majority Funding Parties," "A Percentage Share," or "B Percentage Share" or the percentage of the aggregate Ownership Interests which shall be required for the Lessor (or the Administrative Agent on Lessor's behalf) to take any action under this Agreement, (E) except as otherwise permitted in this Agreement or the other Operative Documents, permit the creation of any Lien (other than Permitted Liens) on the Collateral equal to or prior to the interests of the Funding Parties or sell or otherwise dispose of any portion of the Collateral or release any Lien created under the Operative Documents, or (F) waive the terms of any payment obligation (whether Yield or Lessor Investments) or amend or modify the order of application of payments and proceeds; (G) release the Company or any surety or guarantor of any of the Company's obligations or otherwise limit recourse to such surety or guarantor; or (H) waive any of the conditions specified in Article VI; (iii) no such amendment, waiver or consent shall, unless in writing and signed by the Lessor and all other Funding Parties, be effective to restrict, limit, or terminate the rights of, or increase or modify the duties of, Lessor under any Operative Document; and (iv) no such amendment, waiver or consent shall, unless in writing and signed by the Administrative Agent and all of the Funding Parties, be effective to restrict, limit, or terminate the rights of, or increase or modify the duties of, the Administrative Agent under any Operative Document. In any of the foregoing events, any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 11.02 Notices. Except as otherwise provided in Article II or Article V, all notices and other communications provided for hereunder shall be in writing (including by telecopier and e-mail) and mailed by certified mail, return receipt requested, telecopied or otherwise transmitted or delivered, for the Guarantor, at 2801 Highway 280 South, Birmingham, Alabama 35223, Attention: Lance Black, Telecopier: 205-268-3642, E-mail: lance.black@protective.com, for any party hereto, at its address set forth under its name on its signature page hereto or, as to a Lease Participant that is not a party hereto as of the date hereof, in an Assignment and Acceptance, or as to each party at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, if so mailed, telecopied or otherwise transmitted, be effective when received, if mailed, or when the appropriate answer back or other evidence of receipt is given, if telecopied or otherwise transmitted, respectively. A notice received by the Lessor (or the Administrative Agent on Lessor's behalf) by telephone pursuant to Article II or Article V shall be effective if the Lessor (or, if to the Administrative Agent, the Administrative Agent) believes in good faith that it was given by an authorized representative of the Company and acts pursuant thereto, notwithstanding the absence of written confirmation or any contradictory provision thereof. The parties hereto acknowledge the applicability of Section 10.02 to terms in this Section relating to the delivery of notice to and from the Lessor.

Section 11.03 Payment of Expenses, Indemnities, Etc.

(a) The Company agrees to pay on demand (i) all reasonable fees and out-of-pocket expenses of counsel for the Lessor and the Administrative Agent in connection with the preparation, execution and delivery of this Agreement, the other Operative Documents and the other documents to be delivered hereunder and the fulfillment or attempted fulfillment of conditions precedent hereunder, (ii) all reasonable costs and expenses incurred by Lessor and the Administrative Agent and their Affiliates in syndicating or re-issuing to the Lease Participants all or any portion of the Lessor Investments hereunder, including, without limitation, the related reasonable fees and out-of-pocket expenses of counsel for Lessor, the Administrative Agent or any of their Affiliates, travel expenses, duplication and printing costs and courier and postage fees, and excluding any syndication fees paid to other parties joining the syndicate and (iii) all out-of-pocket costs and expenses, if any, incurred by the Lessor, the Administrative Agent, and the Lease Participants in connection with the enforcement (whether through negotiations, legal proceedings in bankruptcy or insolvency proceedings, or otherwise) of this Agreement, the other Operative Documents and the other documents to be delivered hereunder and thereunder, including the reasonable fees and out-of-pocket expenses of counsel. In furtherance of and not in limitation of the foregoing, the Company shall pay all fees, costs and expenses incurred in obtaining the Approved Appraisal, the Environmental Assessment, the Title Policy or endorsement required by Section 6.01(j), the updated Survey or affidavit of no change required by Section 6.01(i) and the Related Contracts. The Company shall indemnify Lessor, the Administrative Agent and each Lease Participant against any transfer taxes, documentary taxes, assessments or charges made by any Governmental Authority by reason of the execution and delivery of, and performance of obligations under, any of the Operative Documents.

(b) The Company (in its capacity as Lessee) agrees, in addition to any other indemnity obligations set forth in any Operative Document, to indemnify and save harmless each Indemnified Party from and against all liabilities, Liens, Taxes, losses, obligations, claims, damages (including, without limitation, penalties, fines, court costs and administrative service fees), penalties, demands, causes of action, suits, proceedings (including any investigations, litigation or inquiries), judgments, orders, sums paid in settlement of claims, and costs and expenses of any kind or nature whatsoever, including, without limitation, reasonable attorneys' fees and expenses and all other expenses incurred, suffered or realized in connection with investigating, defending or preparing to defend any cause of action, suit or proceeding (including any investigations, litigation or inquiries) or claim which may be incurred by or asserted against or involve any of them (whether or not any of them is named as a party thereto) as a result of, arising directly or indirectly out of or in any way related to (i) the failure of the Guarantor or the Company to perform or caused to be performed, or the inadequacy of, any environmental due diligence previously required by the Lessor in connection with the Facility; (ii) the breach of any representation, warranty or agreement set forth under the Operative Documents regarding Environmental Requirements or relating to environmental matters; (iii) the failure of the Guarantor or the Company to perform any obligation required to be performed under the Operative Documents pursuant to Environmental Requirements or relating to environmental matters; (iv) the failure of the Guarantor or the Company to obtain any Environmental

Authorizations required in the management, maintenance and operation of the Facility, or the operation of any business on or related to the Facility or the Site; (v) any Environmental Damages, Environmental Liabilities and Environmental Proceedings relating to the Facility; (vi) all acts or omissions by or on behalf of the Company, its contractors, employees, agents, licensees, representatives or any other Person for whose conduct the Company is responsible in connection with this Agreement, any Related Contract or under any Operative Document (individually and collectively, as the context shall require, the "Company Agents"); (vii) the breach or failure to perform by the Company (directly or by any of the Company Agents) of any provisions of this Agreement or under any Operative Document; (viii) the operations of the business of the Company; (ix) the failure of the Company (directly or by any of the Company Agents) to comply with any Governmental Requirement (including, without limitation, design, construction, manufacture, engineering, assembly, installation, use, operation or ownership of the Facility or any portion thereof); (x) the failure of the Company (directly or by any of the Company Agents) to pay any amount required to be paid hereunder or under the Lease or any other Operative Document, including, without limitation (and without duplication), the Lessor Investments and Yield thereon (whether or not the Lease has terminated) and Rent; (xi) the Lessor's ownership and leasing of the Facility pursuant to the Lease (other than taxes excluded from the definition of Taxes); (xii) the sale of any portion of the Facility either to the Company or any other Person pursuant to the provisions of the Lease; (xiii) any Imposition, Lien, judgment, order, tax, or other payment owing in respect of the Facility or which the Company is obligated to discharge or pay to any Person; (xiv) the renovation, construction, leasing, subleasing, operation, occupancy, possession, use or non-use by the Company of the Facility or any portion thereof, or the condition of the Facility or any portion thereof; (xv) any Default or Event of Default under the Lease or this Agreement; (xvi) any act or omission of the Company (directly or by any of the Company Agents) relating to, or in connection with, the ownership, renovation, construction, leasing, subleasing, operation, management, maintenance, occupancy, possession, use, non-use or condition of the Facility or any portion thereof; (xvii) performance of any labor or services or furnishing of any materials or other Property in respect of the Facility or any portion thereof; (xviii) any permitted contest referred to in Section 15 of the Lease; and (xix) any claims for patent, trademark, trade name or copyright infringement; provided, however, that no Indemnified Party shall be entitled to indemnity (or any other payment or reimbursement) for any Indemnified Risks pursuant to this Section to the extent such Indemnified Risks result from or arise out of the willful misconduct or gross negligence of such Indemnified Party.

(c) The risks identified in Section 11.03(b) are referred to in this Agreement, individually and collectively, as the context shall require, as the "Indemnified Risks." The Lessor, the Administrative Agent, and each Lease Participant, and their respective successors and assigns, and their officers, directors, incorporators, shareholders, employees, agents, partners, attorneys, affiliates, contractors, subcontractors and servants are referred to in this Agreement individually as an "Indemnified Party" and collectively as the "Indemnified Parties."

(d) If any cause of action, suit, proceeding or claim arising from any of the foregoing is brought against any Indemnified Party, whether such action, suit, proceeding, or claim shall be actual or threatened, or in preparation therefor, the Company will have the right, at its expense, to assume the resistance and defense of such cause of action, suit, proceeding or claim or cause the same to be resisted and defended; provided that such Indemnified Party shall be entitled (but not obligated) to participate jointly in such defense, in which case such Indemnified Party will be responsible for its own legal fees or other expenses, if any, related to such defense incurred subsequent to the joint participation by such party in such defense. Notwithstanding the foregoing, the Indemnified Party may assume the defense of such action, suit, proceeding, or claim (and the Company agrees to reimburse such Indemnified Party on demand for the reasonable fees and expenses of any counsel retained by the Indemnified Party), if (i) such Indemnified Party shall have been advised by counsel chosen by it that there may be one or more legal defenses available to such Indemnified Party that are different from or additional to those available to the Company or (ii) the Indemnified Party's counsel shall have advised such Indemnified Party that such action, suit, proceeding, or claim involves a risk of the imposition of criminal liability or will involve a material risk of the sale, forfeiture, or loss of, or the creation of any Lien (other than a Permitted Lien of the type described in clause (i) of the definition thereof) on the Lease or the Facility or any part thereof. The Company may settle any action which it defends hereunder on such terms as it may deem advisable in its sole discretion, subject to its ability promptly to perform in full the terms of such settlement and only if such settlement does not include any admission of bad faith, gross negligence, willful misconduct, or criminal conduct to be entered against, or deemed made by, any Indemnified Party (unless the Indemnified Parties implicated thereby or involved therein agree thereto in writing in their sole discretion). No Indemnified Party may seek indemnification or other reimbursement or payment, including attorneys' fees or expenses, from the Company for any cause of action, suit, proceeding or claim settled, compromised or in any way disposed of by the Indemnified Party without the Company's prior written consent, which will not be unreasonably withheld.

(e) The obligations of the Company under this Section shall survive the expiration or any termination of this Agreement (whether by operation of law or otherwise) and the payment of amounts owed by the Company under this Agreement and the other Operative Documents, and shall also expressly survive any sale, transfer or conveyance of the Facility made by the Lessor pursuant to the Lease for a period of two (2) years after the termination of this Agreement and any such sale, transfer or conveyance, except for indemnification obligations of the Company, which shall continue to survive thereafter.

(f) Upon demand for payment by any Indemnified Party of any Indemnified Risks incurred by it for which indemnification is sought, the Company shall pay when due and payable the full amount of such Indemnified Risks to the appropriate party, unless and only so long as: (i) the Company shall have assumed the defense of such action and is diligently prosecuting the same; (ii) the Company is financially able to pay all its obligations outstanding and asserted against the Company at that time, including the full amount of the Indemnified Risks; and (iii) the Company has taken all action as may be reasonably necessary to prevent (A) the collection of such Indemnified Risks from, or the assertion of any Lien in respect thereof against, the Indemnified Party or its property or assets; (B) the sale, forfeiture or loss of the Facility or any portion thereof, or any property or assets of such Indemnified Party during such defense of such action; and (C) the imposition of any civil or criminal liability for failure to pay such Indemnified Risks when due and payable.

(g) The Company acknowledges and agrees, subject to the limitations contained in subsection (b), that its obligations under this Section are intended to include and extend to any and all liabilities, Liens, Taxes, losses, obligations, claims, damages (including, without limitation, penalties, fines, court costs and administrative service fees), penalties, demands, causes of action, suits, proceedings (including any investigations, litigation or inquiries), judgments, orders, sums paid in settlement of claims, costs and expenses (including, without limitation, response and remediation costs, stabilization costs, encapsulation costs, and treatment, storage or disposal costs), imposed upon or incurred by or asserted at any time against any Indemnified Party (whether or not indemnified against by any other party) as a result of, arising directly or indirectly out of or in any way related to (i) the treatment, storage, disposal, generation, use, transport, movement, presence, release, threatened release, spill, installation, sale, emission, injection, leaching, dumping, escaping or seeping of any alleged Hazardous Materials at, under, onto, above, within or from the Facility or any part thereof or any business conducted on or related to the Facility or the Site; (ii) the violation or alleged violation of any Environmental Requirements relating to or in connection with the Facility or any part thereof or any acts or omissions thereon or relating thereto; (iii) all other federal, state and local laws designed to protect the environment or persons or property therein, whether now existing or hereinafter enacted, promulgated or issued by any governmental authority relating to or in connection with the Facility or any part thereof or any acts or omissions thereon or relating thereto; (iv) the Company's failure to comply with its obligations under Section 7 of the Lease; and (v) any abandonment of the Facility by the Company.

(h) Without limiting the generality of the foregoing provisions of this Section, the Company agrees to pay or reimburse, promptly upon demand, and protect, indemnify and save harmless, the Lessor following the occurrence of a Termination Event, from any action by any Sublessee or other owner of an interest in the Facility (other than a Co-Lessee) which causes the Lessor any delay in exercising its remedies, or results in the reduction of the Lessor's remedies, under the Lease.

(i) In case any action shall be brought against any Indemnified Party in respect of which indemnity may be sought against the Company, such Indemnified Party shall promptly notify the Company in writing, but the failure to give such prompt notice shall not relieve the Company from liability hereunder, except to the extent such failure deprives the Company of any material defense otherwise available to the Company in connection therewith.

Section 11.04 No Waiver; Remedies. No failure on the part of any Funding Party to exercise, and no delay in exercising, any right hereunder or under any Operative Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder or under any Operative Document preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 11.05 Right of Set-Off. Upon the occurrence of an Event of Default, each Funding Party and the Administrative Agent, and each of their respective Affiliates, is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Funding Party, Administrative Agent, or Affiliate to or for the credit or the account of the Company against any and all of the obligations of the Company now or hereafter existing under this Agreement held as part of its Ownership Interests by such Funding Party, Administrative Agent, or Affiliate, irrespective of whether or not such Funding Party, Administrative Agent, or Affiliate shall have made any demand under this

Agreement and although such obligations may be unmatured. Each Funding Party (for itself and on behalf of its Affiliates) and the Administrative Agent (for itself and on behalf of its Affiliates), as applicable, agrees promptly to notify the Company after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Funding Party, the Administrative Agent, and such Affiliates under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the same may have. All amounts received by any Funding Party, the Administrative Agent, or any such Affiliate pursuant to this Section shall be shared with the other Funding Parties pursuant to Section 4.02.

Section 11.06 Assignments and Participations.

(a) The Company may not assign its rights or obligations hereunder or under any other Operative Document without the prior consent of all of the Funding Parties.

(b) The Lessor shall have the right at any time to sell A Percentage Ownership Interests and/or B Percentage Ownership Interest to A Percentage Lease Participants and/or B Percentage Lease Participants, as applicable, without the prior consent of the other Lease Participants, but (unless a Default or Event of Default is in existence) subject to the consent of the Company, which consent shall not be unreasonably withheld or delayed. The Lessor shall not have the right to assign its rights and obligations as Lessor hereunder and under the Lease and the other Operative Documents except, with the prior written consent of the Lease Participants and (unless a Default or Event of Default is in existence) the Company, which consent in either case shall not be unreasonably withheld or delayed, to an Eligible Lessor Assignee (and such Eligible Lessor Assignee shall expressly assume in writing the Lessor's rights and obligations hereunder and under the Operative Documents). Upon such assignment, from and after the effective date thereof, (i) the assignee thereunder shall be the Lessor hereunder and have the rights and obligations of the Lessor hereunder (including, without limitation, the obligations with respect to the Lessor Investments and the Lessor Equity Interest) and (ii) the assigning Lessor shall relinquish its rights under this Agreement, and such assigning Lessor shall cease to be a party hereto.

(c) Each Lease Participant may at any time assign to one or more banks or other financial institutions all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its A Percentage Ownership Interests and/or B Percentage Ownership Interests, as applicable), and the assignee thereof shall assume all such rights and obligations pursuant to an Assignment and Acceptance executed by such assignee, such assigning Lease Participant and the Lessor); provided, however, that (i) the amount of the A Percentage Ownership Interests or B Percentage Ownership Interests of the assigning Lease Participant being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than $5,000,000, or integral multiples of $1,000,000 in excess thereof (or, if less, in either case, the entire A Percentage Ownership Interests or B Percentage Ownership Interests of the assigning Lease Participant), (ii) each such assignment shall be to an Eligible Assignee and (iii) the parties to each such assignment shall execute and deliver to the Administrative Agent (on behalf of the Lessor), for its acceptance and recording in the Register, an Assignment and Acceptance, together with a processing and recordation fee of $3,500 (for the account of the Lessor), and shall send to the Administrative Agent (on behalf of the Lessor) an executed counterpart of such Assignment and Acceptance, with a copy to the Company. Upon such execution, delivery, acceptance and recording, from and after the effective date specified in each Assignment and Acceptance, (A) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such Assignment and Acceptance, have the rights and obligations of a Lease Participant hereunder and (B) the assigning Lease Participant thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lease Participant's Ownership Interests, such Lease Participant shall cease to be a party hereto).

(d) By executing and delivering an assignment by the Lessor or an Assignment and Acceptance by a Lease Participant, each assignor thereunder and the assignee thereunder confirm to and agree with each other and the other parties hereto as follows: (i) other than as provided in assignment by the Lessor or such Assignment and Acceptance by a Lease Participant, such assigning Lessor or Lease Participant makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with this Agreement or the execution, legality, validity, enforceability, genuineness, sufficiency or value of this Agreement or any other instrument or document furnished pursuant hereto; (ii) such assigning Lessor or Lease Participant makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Guarantor or the Company or the performance or observance by the Company of any of its obligations under this Agreement or any other Operative Document or by the Guarantor under the Guaranty; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 7.01(d) and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into assignment or such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon the Lessor (if it is an assignee of a Lease Participant), such assigning Lessor or Lease Participant or any other Lease Participant and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms that it is an Eligible Lessor Assignee or Eligible Assignee, as applicable; (vi) such assignee appoints and authorizes the Lessor (if it is not an assignee of a Lease Participant) and the Administrative Agent to take such action as agent or Administrative Agent, as applicable, for the Lease Participants on its behalf and to exercise such powers under this Agreement as are delegated to the Lessor and the Administrative Agent by the terms hereof, together with such powers as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations which by the terms of this Agreement are required to be performed by it as either the Lessor or a Lease Participant, as the case may be.

(e) The Administrative Agent shall maintain on behalf of the Lessor at its address referred to in Section 11.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lease Participants and the Ownership Interests and Lease Participant Investments owing to each Lease Participant from time to time (the " Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Administrative Agent, the Guarantor, the Company, the Lessor and the other Lease Participants may treat each Person whose name is recorded in the Register as a Lease Participant hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Guarantor, the Company, the Lessor, and any Lease Participant at any reasonable time and from time to time upon reasonable prior notice. Upon the acceptance of any Assignment and Acceptance for recordation in the Register, Exhibit E hereto shall be deemed to be amended to reflect the revised Lease Participant Investments of the parties to such Assignment and Acceptance as well as administrative information with respect to any new Lease Participant as such information is recorded in the Register.

(f) Upon its receipt of an Assignment and Acceptance executed by an assigning Lease Participant and an assignee representing that it is an Eligible Assignee, the Administrative Agent (on behalf of the Lessor) shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit E hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Guarantor, the Company, the Lessor, the other Lease Participants. Within five (5) Business Days after its receipt of such notice and its receipt of an executed counterpart of such Assignment and Acceptance, the Lessor, at the expense of the Company, shall execute and deliver to each of the Lease Participants a new Ownership Certificate, giving effect to such Assignment and Acceptance and dated the date thereof. Such Ownership Certificates shall be conclusive and binding absent manifest error.

(g) Each Lease Participant may sell participations to one or more banks or other entities in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Ownership Interests); provided, however, that (i) such Lease Participant's obligations under this Agreement shall remain unchanged, (ii) such Lease Participant shall remain solely responsible to the Lessor for the performance of such obligations, (iii) such Lease Participant shall remain the owner of its Ownership Interests for all purposes of this Agreement, (iv) the Guarantor, the Company, the Administrative Agent, the Lessor and the other Lease Participants shall continue to deal solely and directly with such Lease Participant in connection with its rights and obligations under this Agreement and the other Operative Documents, (v) such Lease Participant shall continue to be able to agree to any modification or amendment of this Agreement or any waiver hereunder without the consent, approval or vote of any such participant or group of participants, other than modifications, amendments and waivers which (A) postpone any date fixed for any payment of, or reduce any payment of, principal of or Yield on the Lessor Investments, (B) reduce the Yield payable under this Agreement and such Lease Participant's Ownership Interests, or (C) consent to the assignment or the transfer by the Company or the Lessor of any of its rights and obligations as the Company or the Lessor, respectively, under this Agreement (to the extent such consent is required pursuant to the Agreement) and (vi) except as contemplated by the immediately preceding clause (v), no participant shall be deemed to be or to have any of the rights or obligations of a "Lease Participant" hereunder.

(h) The Lessor or any Lease Participant may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section, disclose to the assignee or participant or proposed assignee or participant any information relating to the Guarantor or the Company furnished to the Lessor or such Lease Participant by or on behalf of the Company or the Guarantor; provided that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree in writing for the benefit of the Guarantor and the Company to preserve the confidentiality of any confidential information relating to the Guarantor or the Company received by it from the Lessor or such Lease Participant in a manner consistent with Section 11.13.

(i) Anything in this Agreement to the contrary notwithstanding, any Lease Participant may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, its Ownership Interests) in favor of any United States governmental agency, including, without limitation, any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System (or any successor regulation) and the applicable operating circular of such Federal Reserve Bank.

(j) Notwithstanding any other provision of this Agreement or any other Operative Document, neither the Guarantor or the Company nor any of their Affiliates (i) may acquire any of the Ownership Interests unless the Guarantor or the Company or such Affiliate acquires all of the Ownership Interests in a single transaction and thereby becomes bound by the provisions hereof; and unless the Guarantor or the Company or such Affiliate shall have acquired all of the Ownership Interests, it shall not be entitled to exercise any rights or remedies of a Funding Party under any of the Operative Documents.

(k) Notwithstanding any other provision of this Agreement to the contrary, no assignee or participant shall be entitled to receive any greater payment under Sections 4.06 or 5.03 than the transferor Funding Party would have been entitled to receive with respect to the rights transferred, unless such transfer is made with the Company's prior written consent or by reason of the provisions of Sections 5.02 or 5.03 hereof requiring such Funding Party to designate a different Applicable Funding Office under certain circumstances or at a time when the circumstances giving rise to such a greater payment did not exist.

Section 11.07 Invalidity. In the event that any one or more of the provisions contained in this Agreement or in any other Operative Document shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement or any other Operative Document.

Section 11.08 Entire Agreement. **THIS AGREEMENT AND THE OTHER OPERATIVE DOCUMENTS EMBODY THE ENTIRE AGREEMENT AND UNDERSTANDING AMONG THE LESSOR, THE ADMINISTRATIVE AGENT, THE LEASE PARTICIPANTS, THE GUARANTOR AND THE COMPANY AND SUPERSEDE ALL OTHER AGREEMENTS AND UNDERSTANDINGS AMONG SUCH PARTIES RELATING TO THE SUBJECT MATTER HEREOF AND THEREOF. THIS WRITTEN AGREEMENT AND THE OTHER OPERATIVE DOCUMENTS REPRESENT THE FINAL AGREEMENT AMONG THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.**

Section 11.09 References. The words "herein," "hereof," "hereunder" and other words of similar import when used in this Agreement refer to this Agreement as a whole, and not to any particular article, section or subsection. Any reference herein to an Article or Section shall be deemed to refer to the applicable Article or Section of this Agreement unless otherwise stated herein. Any reference herein to an exhibit or schedule shall be deemed to refer to the applicable exhibit or schedule attached hereto unless otherwise stated herein.

Section 11.10 Successors; Survivals. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. The obligations of the Company under Section 4.06, Article V, and Section 11.03 shall survive the redemption of the Lessor Investments and the termination of this Agreement.

Section 11.11 Captions. Captions and section headings appearing herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

Section 11.12 Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart. Delivery to the Lessor of a counterpart executed by a Lease Participant shall constitute delivery of such counterpart to all of the Lease Participants and the Administrative Agent. This Agreement may be delivered by facsimile transmission of the relevant signature pages hereof.

Section 11.13 Confidentiality. Each Funding Party and the Administrative Agent agrees to exercise commercially reasonable efforts to keep any information delivered or made available by the Company or the Guarantor to it which is clearly indicated or stated to be confidential information (or when the circumstances under which such information is delivered or when the content thereof would cause a reasonable person to believe that such information is confidential) confidential from anyone other than Persons employed or retained by such Funding Party or the Administrative Agent who are or are expected to become engaged in evaluating, approving, structuring or administering the Lessor Investments, the Ownership Interests or the Operative Documents (such Persons to likewise be under similar obligations of confidentiality with respect to such information); provided, however, that nothing herein shall prevent any Funding Party or the Administrative Agent from disclosing such information (a) to any other Funding Party or the Administrative Agent, (b) upon the order of any court or administrative agency, (c) upon the request or demand of any regulatory agency or authority having jurisdiction over such Funding Party or the Administrative Agent, as applicable, (d) which has been publicly disclosed, (e) to the extent reasonably required in connection with any litigation to which any Funding Party, the Administrative Agent, or any of their respective Affiliates may be a party, (f) to the extent reasonably required in connection with the exercise of any remedy hereunder, (g) to such Funding Party's or Administrative Agent's legal counsel and independent auditors, (h) to any actual or proposed Eligible Lessor Assignee, Eligible Assignee or other participant in all or part of its rights hereunder which has agreed in writing to be bound by the provisions of this Section; provided that should disclosure of any such confidential information be required by virtue of clause (b), (c) or (e) of the immediately preceding sentence, any relevant Funding Party or the Administrative Agent shall, to the extent permitted by applicable law, rule or regulations, promptly notify the

Company or the Guarantor of same so as to allow the Company and the

Guarantor to seek a protective order or to take any other appropriate action; provided, further, that none of the Funding Parties nor the Administrative Agent shall be required to delay compliance with any directive to disclose beyond the last date such delay is legally permissible any such information so as to allow the Company and the Guarantor to effect any such action.

Section 11.14 Governing Law; Submission to Jurisdiction.

(a) This Agreement (including, but not limited to, the validity and enforceability hereof and thereof) shall be governed by, and construed in accordance with, the laws of the State of New York, other than the conflict of laws rules thereof (other than Section 5.1401 of the New York General Obligations Law), except to the extent that the laws of the State of Alabama mandatorily apply.

(b) The Company hereby irrevocably submits to the exclusive jurisdiction of any New York State or Federal court sitting in New York City and any appellate court from any thereof in any action or proceeding by the Lessor or any Lease Participant in respect of, but only in respect of, any claims or causes of action arising out of or relating to this Agreement or the other Operative Documents (such claims and causes of action, collectively, being " Permitted Claims"), and the Company hereby irrevocably agrees that all Permitted Claims may be heard and determined in such New York State court or in such Federal court. The Company hereby irrevocably waives, to the fullest extent it may effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding in any aforementioned court in respect of Permitted Claims. The Company hereby irrevocably agrees that service of copies of the summons and complaint and any other process which may be served by the Lessor, the Administrative Agent, or the Lease Participants in any such action or proceeding in any aforementioned court in respect of Permitted Claims may be made by delivering a copy of such process to the Company by courier and by certified mail (return receipt requested), fees and postage prepaid, at the Company's address specified pursuant to Section 11.02. The Company agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(c) Nothing in this Section shall (i) affect the right of any Lease Participant or the Lessor to serve legal process in any other manner permitted by law or affect any right otherwise existing of any Lease Participant or the Lessor to bring any action or proceeding against the Company or its property in the courts of other jurisdictions or (ii) be deemed to be a general consent to jurisdiction in any particular court or a general waiver of any defense or a consent to jurisdiction of the courts expressly referred to in subsection (a) above in any action or proceeding in respect of any claim or cause of action other than Permitted Claims.

Section 11.15 Yield. It is the intention of the parties hereto that each Funding Party shall conform strictly to usury laws applicable to it. Accordingly, if the transactions contemplated hereby would be usurious as to any Funding Party under laws applicable to it (including the laws of the United States of America and the State of New York or any other jurisdiction whose laws may be mandatorily applicable to such Funding Party notwithstanding the other provisions of this Agreement), then, in that event, notwithstanding anything to the contrary in this Agreement or in any other Operative Document or any other agreement entered into in connection with or as security for the Ownership Interests, it is agreed as follows: (i) the aggregate of all consideration which constitutes interest under law applicable to any Funding Party that is contracted for, taken, reserved, charged or received by such Funding Party under this Agreement or under any of the other aforesaid Operative Documents or other agreements or otherwise in connection with the Ownership Interests shall under no circumstances exceed the maximum amount allowed by such applicable law, and any excess shall be cancelled automatically and if theretofore paid shall be credited by such Funding Party on the principal amount of its Ownership Interests (or, to the extent that the principal amount of its Ownership Interests shall have been or would thereby be redeemed in full, refunded by such Lease Participant to the Lessor and by the Lessor to the Company); and (ii) in the event that the maturity of the Ownership Interests is accelerated by reason of an election of the holder thereof resulting from any Event of Default under this Agreement or otherwise, or in the event of any required or permitted redemption, then such consideration that constitutes interest under law applicable to any Funding Party may never include more than the maximum amount allowed by such applicable law, and excess Yield, if any, provided for in this Agreement or otherwise shall be cancelled automatically by such Funding Party as of the date of such acceleration or prepayment and, if theretofore paid, shall be credited by such Funding Party on the principal amount of its Ownership Interests (or, to the extent that the principal amount of the Ownership Interests shall have been or would thereby be redeemed in full, refunded by such Lease Participant to the Lessor and by the Lessor to the Company). All sums paid or agreed to be paid to any Funding Party for the use, forbearance or detention of sums due hereunder shall, to the extent permitted by law applicable to such Funding Party, be amortized, prorated, allocated and spread in equal parts throughout the full term of the Ownership Interests, until payment in full, so that the rate or amount of Yield on account of any Ownership Interests hereunder does not exceed the maximum amount allowed by such applicable law. If at any time and from time to time (i) the amount of Yield payable to any Funding Party on any date shall be computed at the Highest Lawful Rate applicable to such Funding Party pursuant to this Section and (ii) in respect of any subsequent Yield computation period the amount of Yield otherwise payable to such Funding Party would be less than the amount of Yield payable to such Funding Party computed at the Highest Lawful Rate applicable to such Funding Party, then the amount of Yield payable to such Funding Party in respect of such subsequent Yield computation period shall continue to be computed at the Highest Lawful Rate applicable to such Funding Party until the total amount of Yield payable to such Funding Party shall equal the total amount of Yield which would have been payable to such Funding Party if the total amount of Yield had been computed without giving effect to this Section.

Section 11.16 Characterization.

(a) In order to protect the rights and remedies of the Funding Parties following a Termination Event or a Cancellation Event, and for the purposes of commercial law and Federal, state and local income and ad valorem taxes and Title 11 of the United States Code (or any other applicable Federal, state or local insolvency, reorganization, moratorium, fraudulent conveyance or similar law now or hereafter in effect for the relief of debtors), the parties hereto intend that (i) the Lease be treated as the repayment and security provisions of a loan by the Lessor to the Company in the amount of the Facility Cost, (ii) all payments of Basic Rent, Supplemental Rent, the Final Rent Payment, the Termination Value and the Purchase Price be treated as payments of principal, interest and other amounts owing with respect to such loan and (iii) the Company be treated as entitled to all benefits of ownership of the Facility or any part thereof. In addition, the parties acknowledge that after payment in full of the Ownership Interests, the Yield accrued thereon and any other obligations of the Company under the Operative Documents, any remaining proceeds of the Facility shall be distributed to the Company.

(b) The Company agrees that neither it nor any of its Affiliates (whether or not consolidated or combined returns are filed for any such Affiliate and the Company for federal, state or local income tax purposes) will at any time take any action, directly or indirectly, or file any return or other document inconsistent with the intended income tax treatment set forth in the preceding subsection (a), and the Company agrees that the Company and any such Affiliates will file such returns, maintain such records, take such action and execute such documents (as reasonably requested by the Lessor or the Lease Participants from time to time) as may be appropriate to facilitate the realization of such intended income tax treatment. Each of the Lessor and the Lease Participants agrees that neither it nor any affiliate (whether or not consolidated or combined returns are filed for such affiliate and the Lessor or any Lease Participant, as the case may be, for federal, state or local income tax purposes) will at any time take any action, directly or indirectly, or file any return or other document claiming, or asserting that it is entitled to, the income tax benefits, deductions and/or credits which, pursuant to the intended income tax treatment set forth herein, would otherwise be claimed or claimable by the Company, and that it and any such affiliates will file such returns, maintain such records, take such actions, and execute such documents (as reasonably requested by the Company from time to time) as may be appropriate to facilitate the realization of, and as shall be consistent with, such intended income tax treatment, and if any such filing, maintenance, action or execution requested by the Company or the Guarantor would result in any additional income tax liability payable by it or any affiliate, or could reasonably be expected to result in liability payable by it or any affiliate, unrelated to the intended income tax treatment set forth herein, then the Company will provide an indemnity against such unrelated income tax liability satisfactory to the Lessor or any Lease Participant, as the case may be, in its sole opinion.

(c) The Company acknowledges that none of any Lease Participant, the Administrative Agent, the Lessor or any Affiliate of any of the foregoing thereof is making any representation, nor is it required to make any disclosure, now or in the future, with respect to the parties' tax or accounting treatment of the Facility or the financing thereof, nor is any Lease Participant, the Lessor, the Administrative Agent, or any Affiliate or any of the foregoing responsible, nor will it be responsible in the future, for tax and accounting advice with respect to the Facility or the financing thereof, and the Company has had or will have the benefit of the advice of its own independent tax and accounting advisors with respect to such matters.

Section 11.17 Compliance. None of the Lessor, the Administrative Agent, nor any Lease Participant has any responsibility for compliance by the Facility or the Company with any Governmental Requirement or other matters. The Company expressly assumes such responsibilities and shall indemnify and hold harmless the Lessor, the Administrative Agent, and the Lease Participants with respect thereto in the manner provided in the Lease.

Section 11.18 Facility. Upon payment by the Company of the Purchase Price Value in connection with its purchase of all of the Facility in accordance with the Lease, or the repayment in full of all amounts then due and owing by the Company under the Operative Documents, and promptly upon the request of the Company, the Lessor shall convey the Facility to the Company or its designee, free and clear of any Lien or other adverse interest of any kind created by the Lessor or any Person claiming by, through or under the Lessor, including, without limitation, the Lessor and the Lease Participants (except as consented to by the Company).

Section 11.19 Funding Parties. No recourse under any obligation, covenant or agreement of any Funding Party contained in this Agreement, any Operative Document or any agreement or document executed in connection herewith or therewith or the transactions contemplated hereby or thereby shall be had against any shareholder, employee, officer, director, affiliate or incorporator of the Funding Parties. The obligations, covenants and agreements of the Funding Parties under any of the foregoing agreements and documents are solely the corporate obligations of the Funding Parties, and the Lessor (with respect to the Lease Participants) and the Company and the Lease Participants (with respect to the Lessor) agree to look solely to the Lease Participants or the Lessor, as applicable, for payment of all obligations, including, without limitation, any fees or other amounts due hereunder or thereunder, and claims arising out of or relating to any of the foregoing agreements and documents. The provisions of this Section shall survive the termination of this Agreement.

Section 11.20 Waiver of Jury Trial. **EACH OF THE PARTIES HERETO WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR TO DEFEND ANY RIGHTS UNDER THIS AGREEMENT OR ANY OTHER OPERATIVE DOCUMENT OR UNDER AMENDMENT, INSTRUMENT, DOCUMENT OR AGREEMENT DELIVERED OR WHICH MAY IN THE FUTURE BE DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR ARISING FROM ANY RELATIONSHIP EXISTING IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER OPERATIVE DOCUMENT, AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT BEFORE A JURY.**

Section 11.21 Certain Acknowledgments of the Parties. Each of the parties hereto hereby acknowledges and agrees that (i) this Agreement and the other Operative Documents have not been negotiated by the Lessor or any of the Lease Participants in the State of Alabama, (ii) the closing of the transactions contemplated by this Agreement and the other Operative Documents shall take place at the office of the Lessor in Charlotte, North Carolina, or at the office of its counsel in Dallas, Texas, and (iii) in addition to the satisfaction of other conditions set forth in Section 6.01 of this Agreement, this Agreement shall not be effective until the Lessor has received at its office in Charlotte, North Carolina the documents described in the first sentence of Section 6.01.

Section 11.22 Amendment and Restatement. This Agreement constitutes an amendment and restatement of the Original Investment Agreement, the terms of which survive, but only as amended and restated herein.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

The Company:

PROTECTIVE LIFE INSURANCE COMPANY, a Tennessee corporation

By: ______________________________

Name:

Title:

Principal Place of Business and Chief Executive Office:

2801 Highway 280 South
Birmingham, Alabama 35223
Attention: Lance Black
Telecopier: 205-268-3642
E-mail: lance.black@protective.com

Signature Page — Second Amended and Restated Investment and Participation Agreement

Lessor:

WACHOVIA DEVELOPMENT CORPORATION

By: ______________________________

Name: Weston R. Garrett
Title: Managing Director

Applicable Funding Office and Address for Notices:

Wachovia Development Corporation
c/o Wells Fargo Bank, National Association
550 S. Tryon Street
Charlotte, NC 28202
MAC D1086-051
Attention: Jack Altmeyer
Telecopier No.: 704-410-0233
Telephone No.: 704-410-2405
E-mail: jack.altmeyer@wellsfargo.com

Signature Page — Second Amended and Restated Investment and Participation Agreement

Administrative Agent:	WELLS FARGO BANK, NATIONAL ASSOCIATION
	By: ______________________________
	Name:
	Title:
	Address for Notices:
	Wells Fargo Bank, National Association 550 S. Tryon Street Charlotte, NC 28202 MAC D1086-051 Attention: Jack Altmeyer Telecopier No.: 704-410-0233 Telephone No.: 704-410-2405 E-mail: jack.altmeyer@wellsfargo.com

Signature Page — Second Amended and Restated Investment and Participation Agreement

Lease Participant:

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: ____
Name:
Title:

Applicable Funding Office and Address for Notices:

Wells Fargo Bank, National Association
550 S. Tryon Street
Charlotte, NC 28202
MAC D1086-051
Attention: Jack Altmeyer
Telecopier No.: 704-410-0233
Telephone No.: 704-410-2405
E-mail: jack.altmeyer@wellsfargo.com

Signature Page — Second Amended and Restated Investment and Participation Agreement

Lease Participant: SUNTRUST BANK

By: ______________________________

Name:

Title:

Applicable Funding Office and Address for Notices:

SunTrust Bank
303 Peachtree Street, NE — 3rd Floor
Atlanta, Georgia 30308
Attention: Paula Mueller
Telecopier No.: (404) 439-7390
Telephone No.: (404) 439-9611
E-mail: Paula.Mueller@suntrust.com

With a copy to:

SunTrust Bank
303 Peachtree Street, NE — 3rd Floor
Atlanta, Georgia 30308
Attention: Katie Walts
Telecopier No.: (404) 439-7327
Telephone No.: (404) 926-5322
E-mail: Katie.Walts@suntrust.com

Signature Page — Second Amended and Restated Investment and Participation Agreement

Lease Participant:

CITIBANK, N.A.

By: ______________________________
Name:
Title:

Applicable Funding Office and Address for Notices:

Citibank, N.A.
1615 Brett Road, Building III
New Castle, DE 19720
Attention: Loan Administration
Telephone No.: 201-472-4414
Telecopier No.: 212-994-0847
E-mail: GLOriginationOps@citigroup.com

With a copy to:

Citibank, N.A.
388 Greenwich, 35th Floor
New York, NY 10013
Attention: Robert Chesley
Telephone No.: 212-816-5706
E-mail: robert.chesley@citi.com

EXHIBIT A

DESCRIPTION OF SITE

ANNEX PARCEL

Acreage situated in the SW 1/4 of the SE 1/4 and the SE 1/4 of the SW 1/4 of Section 8, Township 18 South, Range 2 West and the NW 1/4 of the NE 1/4 of Section 17, Township 18 South, Range 2 West, Jefferson County, Alabama, being more particularly described as follows:

Commence at the Northwesterly corner of Lot 10-A, Parkway Subdivision, as recorded in Map Book 88, Page 38 in the office of the Judge of Probate of Jefferson County, Alabama, said point lying on the Southwesterly Right-of-Way line of Cahaba Road (Old U.S. Highway No. 280), said point also lying on the East line of the SW 1/4 of the SE 1/4 of Section 8, Township 18 South, Range 2 West; thence run in a Southerly direction along the Westerly line of said Lot 10-A and the East line of said 1/4-1/4 section a distance of 291.49 feet to a point; thence 55º35’25” to the right in a Southwesterly direction a distance of 328.53 feet to a point; thence 87º34’08” to the right in a Northwesterly direction a distance of 2.20 feet to a point; thence 52º23’58” to the left in a Westerly direction a distance of 482.90 feet to a point; thence 83º11’36” to the left in a Southwesterly direction a distance of 16.97 feet to a point; thence 83º16’34” to the right in a Westerly direction a distance of 65.00 feet to a point; thence 90º00’44” to the left in a Southerly direction a distance of 20.26 feet to a point; thence 31º54’03” to the right in a Southwesterly direction a distance of 67.66 feet to a point; thence 90º00’ to the right in a Northwesterly direction a distance of 122.74 feet to the POINT OF BEGINNING of the parcel herein described, said point lying on the face of the newly constructed Building Annex No. 3; thence 2º18’03” to the right in a Northwesterly direction along the face of said building a distance of 39.90 feet to a point; thence 90º00’ to the right in a Northeasterly direction along the face of said building a distance of 5.33 feet to a point; thence 90º00’ to the left in a Northwesterly direction along the face of said building a distance of 254.97 feet to a point; thence 90º00’ to the right in a Northeasterly direction along the face of said building a distance of 21.25 feet to a point on the face of an existing Parking Deck; thence 90º00’ to the left in a Northwesterly direction along the face of said parking deck a distance of 120.80 feet to a point on the face of existing Building 1; thence 90º00’ to the left in a Southwesterly direction along the face of said building a distance of 19.09 feet to a point; thence 90º00’ to the right in a Northwesterly direction along the face of said building a distance of 10.89 feet to a point; thence 90º00’ to the left in a Southwesterly direction along the face of said building and along the face of the newly constructed Building Annex No. 3 a distance of 57.38 feet to a point; thence 90º00’ to the left in a Southeasterly direction along the face of said Building Annex No. 3 a distance of 64.38 feet to a point; thence 90º00’ to the right in a Southwesterly direction along the face of said building a distance of 73.55 feet to a point; thence 90º00’ to the left in a Southeasterly direction along the face of said building a distance of 2.54 feet to a point; thence 90º00’ to the right in a Southwesterly direction a distance of 6.00 feet to a point; thence 90º00’ to the left in a Southeasterly direction a distance of 27.45 feet to a point; thence 90º00’ to the left in a Northeasterly direction a distance of 6.00 feet to a point on the face of the newly constructed Building Annex No. 3; thence 90º00’ to the right in a Southeasterly direction along the face of said building a distance of 281.48 feet to a point; thence 90º00’ to the right in a Southwesterly direction a distance of 4.30 feet to a point; thence 90º00' to the left in a Southeasterly direction a distance of 9.17 feet to a point; thence 90º00' to the left in a Northeasterly direction a distance of 4.30 feet to a point on the face of the newly constructed Building Annex No. 3; thence 90º00' to the right in a Southeasterly direction along the face of said building a distance of 1.67 feet to a point; thence 90º00' to the left in a Northeasterly direction along the face of said building a distance of 27.92 feet to a point; thence 90º00' to the right in a Southeasterly direction along the face of said building a distance of 39.87 feet to a point; thence 90º00' to the left in a Northeasterly direction along the face of said building a distance of 95.52 feet to the Point of Beginning.

Containing 51,664 square feet or 1.186 acres.

TOGETHER WITH, a non exclusive easement for pedestrian and vehicular ingress and egress to, upon, over and across the Protective Road, Protective Driveway and Orchid Driveway (as the same are described in the certain Reciprocal Easement Agreement by and between Orchid, L.L.C. and Protective Life Insurance Company dated as of January 19, 1996, and recorded as Instrument #9601/6971 in the Probate Office of Jefferson County, Alabama, as amended and restated by Amended and Restated Reciprocal Easement Agreement dated as of March 16, 2004, and recorded as Instrument #200405/9866, in said Probate Office), as the same may be modified or relocated.

TOGETHER WITH, (a) a non-exclusive easement for the purpose of pedestrian and vehicular ingress and egress to, on, over and across the Common Driveway; (b) an easement along the Common Access Driveway for the drainage of storm water; and, (c) an easement along the Common Access Driveway and over the Company Tract for installing, operating, and maintaining utility facilities (as the same are described in that certain Reciprocal Easement Agreement by and between Protective Life Insurance Company and Wachovia Capital Investments, Inc. dated as of the 1st day of February, 2000, and recorded as Instrument #200004/0950, in the Probate Office of Jefferson County, Alabama, as amended by First Amendment to Reciprocal Easement Agreement dated as of September 1, 2004 and recorded as Instrument #200413/6654, in said Probate Office).

PARKING DECK PARCEL

Acreage situated in the SW 1/4 of the SE 1/4 of Section 8, Township 18 South, Range 2 West, Jefferson County, Alabama, being more particularly described as follows:

Commence at the Northwesterly corner of Lot 10-A, Parkway Subdivision, as recorded in Map Book 88, Page 38 in the office of the Judge of Probate of Jefferson County, Alabama, said point lying on the Southwesterly Right-of-Way line of Cahaba Road (Old U.S. Highway No. 280), said point also lying on the East line of the SW 1/4 of the SE 1/4 of Section 8, Township 18 South, Range 2 West; thence run in a Southerly direction along the Westerly line of said Lot 10-A and the East line of said 1/4-1/4 section a distance of 291.49 feet to a point; thence 55º35'25" to the right in a Southwesterly direction a distance of 328.53 feet to a point; thence 87º34'08" to the right in a Northwesterly direction a distance of 2.20 feet to a point; thence 52º23'58" to the left in a Westerly direction a distance of 310.55 feet to a point; thence 90º00' to the right in a Northerly direction a distance of 111.28 feet to a point on the face of the newly constructed parking deck, said point being the POINT OF BEGINNING of the parcel herein described; thence 34º26'54' to the right in a Northeasterly direction along the face of said parking deck a distance of 200.87 feet to a point; thence 90º00' to the left in a Northwesterly direction along the face of said parking deck a distance of 3.99 feet to a point; thence 90º00' to the right in a Northeasterly direction along the face of said parking deck a distance of 13.22 feet to a point; thence 90º00' to the left in a Northwesterly direction along the face of said parking deck a distance of 12.98 feet to a point; thence 90º00' to the right in a Northeasterly direction along the face of said parking deck a distance of 4.00 feet to a point; thence 90º00' to the left in a Northwesterly direction along the face of said parking deck a distance of 274.49 feet to a point; thence 90º00' to the left in a Southwesterly direction along the face of said parking deck a distance of 4.06 feet to a point; thence 90º00' to the right in a Northwesterly direction along the face of said parking deck a distance of 13.00 feet to a point; thence 90º00' to the left in a Southwesterly direction along the face of said parking deck a distance of 13.02 feet to a point; thence 90º00' to the right in a Northwesterly direction along the face of said parking deck a distance of 3.89 feet to a point; thence 90º00' to the left in a Southwesterly direction along the face of said parking deck a distance of 200.93 feet to a point; thence 90º00' to the left in a Southeasterly direction along the face of said parking deck a distance of 3.91 feet to a point; thence 90º00' to the right in a Southwesterly direction along the face of said parking deck and its extension a distance of 16.06 feet to a point along the roof overhang line of the newly constructed pedestrian bridge; thence 90º00' to the right in a Northwesterly direction along said roof overhang line a distance of 95.00 feet to a point on the face of the existing parking deck; thence 90º00' to the left in a Southwesterly direction along the face of the existing parking deck a distance of 15.94 feet to a point along the roof overhang line of the newly constructed pedestrian bridge; thence 90º00' to the left in a Southeasterly direction along said roof overhang line a distance of 107.90 feet to a point on the face of the newly constructed parking deck; thence 90º00' to the right in a Southwesterly direction along the face of said parking deck a distance of 6.79 feet to a point; thence 90º00' to the left in a Southeasterly direction along the face of said parking deck a distance of 28.64 feet to a point; thence 90º00' to the left in a Northeasterly direction along the face of said parking deck a distance of 21.62 feet to a point; thence 90º00' to the right in a Southeasterly direction along the face of said parking deck a distance of 245.90 feet to a point; thence 90º00' to the left in a Northeasterly direction along the face of said parking deck a distance of 3.90 feet to a point; thence 90º00’ to the right in a Southeasterly direction along the face of said parking deck a distance of 13.02 feet to a point; thence 90º00’ to the left in a Northeasterly direction along the face of said parking deck a distance of 13.19 feet to a point; thence 90º00’ to the right in a Southeasterly direction along the face of said parking deck a distance of 3.98 feet to the Point of Beginning.

Containing 74,417 square feet or 1.708 acres.

TOGETHER WITH, a non exclusive easement for pedestrian and vehicular ingress and egress to, upon, over and across the Protective Road, Protective Driveway and Orchid Driveway (as the same are described in the certain Reciprocal Easement Agreement by and between Orchid, L.L.C. and Protective Life Insurance Company dated as of January 19, 1996, and recorded as Instrument #9601/6971 in the Probate Office of Jefferson County, Alabama, as amended and restated by Amended and Restated Reciprocal Easement Agreement dated as of March 16, 2004, and recorded as Instrument #200405/9866, in said Probate Office), as the same may be modified or relocated.

TOGETHER WITH, (a) a non-exclusive easement for the purpose of pedestrian and vehicular ingress and egress to, on, over and across the Common Driveway; (b) an easement along the Common Access Driveway for the drainage of storm water; and, (c) an easement along the Common Access Driveway and over the Company Tract for installing, operating, and maintaining utility facilities (as the same are described in that certain Reciprocal Easement Agreement by and between Protective Life Insurance Company and Wachovia Capital Investments, Inc. dated as of the 1st day of February, 2000, and recorded as Instrument #200004/0950, in the Probate Office of Jefferson County, Alabama, as amended by First Amendment to Reciprocal Easement Agreement dated as of September 1, 2004 and recorded as Instrument #200413/6654, in said Probate Office).

EXHIBIT B

OWNERSHIP CERTIFICATE

EFFECTIVE DATE OF OWNERSHIP CERTIFICATE: ,

THIS OWNERSHIP CERTIFICATE WAS ISSUED PURSUANT TO SECTION 2.01(b), SECTION 3.02 OR SECTION 11.06 OF THE SECOND AMENDED AND RESTATED INVESTMENT AND PARTICIPATION AGREEMENT DATED AS OF DECEMBER 19, 2013 (AS AMENDED, RESTATED OR SUPPLEMENTED OR OTHERWISE MODIFIED FROM TIME TO TIME, THE "INVESTMENT AGREEMENT"), AMONG PROTECTIVE LIFE INSURANCE COMPANY, AS THE COMPANY, WACHOVIA DEVELOPMENT CORPORATION, AS THE LESSOR, WELLS FARGO BANK, NATIONAL ASSOCIATION, AS ADMINISTRATIVE AGENT, AND THE LEASE PARTICIPANTS PARTIES THERETO FROM TIME TO TIME, AND WAS ISSUED BY THE LESSOR THEREUNDER. EACH OWNERSHIP CERTIFICATE WHICH IS ISSUED BY THE LESSOR SUPERSEDES AND REPLACES ALL PRIOR OWNERSHIP CERTIFICATES, AND REFERENCE SHOULD BE MADE TO THE BOOKS AND RECORDS OF THE LESSOR MAINTAINED WITH THE ADMINISTRATIVE AGENT AT WELLS FARGO BANK, NATIONAL ASSOCIATION, 550 S. TRYON STREET, CHARLOTTE, NC 28202, MAC D1086-051, ATTENTION: JACK ALTMEYER, TELEPHONE: 704-410-2405, FACSIMILE: 704-410-0233, E-MAIL: jack.altmeyer@wellsfargo.com, FOR A DETERMINATION AS TO THE OWNERSHIP CERTIFICATE CURRENTLY IN EFFECT AT ANY TIME. CAPITALIZED TERMS USED HEREIN WITHOUT DEFINITION HAVE THE MEANINGS SET FORTH IN SCHEDULE 1.01 TO THE INVESTMENT AGREEMENT.

I. TOTAL LESSOR INVESTMENTS: $75,000,000:

II. A PERCENTAGE OWNERSHIP INTERESTS AND PERCENTAGE SHARES:

Funding Party	A Percentage Ownership Interest	A Percentage Share	Percentage of A Percentage Ownership Interest to all Lessor Investments
Lessor			
[Lease Participant]			
[Lease Participant]			
. . .			
[Lease Participant]			
TOTAL	$ [ ]	[ ]%	[ ]%

III. B PERCENTAGE OWNERSHIP INTERESTS AND PERCENTAGE SHARES:

Funding Party	B Percentage Ownership Interest	B Percentage Share	Percentage of B Percentage Ownership Interest to all Lessor Investments
Lessor			
[Lease Participant]			
[Lease Participant]			
. . .			
[Lease Participant]			
TOTAL	$ [ ]	[ ]%	[ ]%

[Signature Page Follows]

WACHOVIA DEVELOPMENT CORPORATION, as Lessor, by WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent

By: ______________________________
Name: Weston R. Garrett
Title: Managing Director

Signature Page to Ownership Certificate

EXHIBIT C

FORM OF ASSIGNMENT AND ACCEPTANCE

ASSIGNMENT AND ACCEPTANCE

Dated ,

Reference is made to the Second Amended and Restated Investment and Participation Agreement, dated as of December 19, 2013 (as the same may be amended, supplemented or otherwise modified from time to time, the "Investment Agreement") among Protective Life Insurance Company, a Tennessee corporation (the "Company"), the Lease Participants parties thereto (the "Lease Participant"), Wells Fargo Bank, National Association, as Administrative Agent (the "Administrative Agent"), and Wachovia Development Corporation, as Lessor (the "Lessor"). Terms defined in the Investment Agreement are used herein with the same meaning.

(the "Assignor") and (the "Assignee") agree as follows:

The Assignor hereby sells and assigns to the Assignee, and the Assignee hereby purchases and assumes from the Assignor, the A Percentage Ownership Interest and B Percentage Ownership Interest, as applicable, in and to all of the Assignor's rights and obligations under the Investment Agreement as of the date hereof which represents the A Percentage Share and B Percentage Share, as applicable, specified on Schedule 1 of all outstanding rights and obligations under the Investment Agreement, including without limitation, such A Percentage Ownership Interest and B Percentage Ownership Interest, as applicable. After giving effect to such sale and assignment, Assignor's A Percentage Ownership Interest and B Percentage Ownership Interest will be as set forth in Section 2 of Schedule 1.

The Assignor (i) represents and warrants that it is the legal and beneficial owner of the Ownership Interest being assigned by it hereunder and that such interest is free and clear of any adverse claim; (ii) makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with the Investment Agreement or any other Operative Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Investment Agreement or any other Operative Document or other instrument or document furnished pursuant thereto; and (iii) makes no representation or warranty and assumes no responsibility with respect to the financial condition of the Guarantor or the Company, or the performance or observance by the Guarantor or the Company of any of their obligations under the Investment Agreement or any other Operative Document or other instrument or document furnished pursuant thereto.

The Assignee (i) confirms that it has received a copy of the Investment Agreement and each other Operative Document, together with [copies of the financial statements referred to in Section 8.01 of the Investment Agreement] and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Acceptance; (ii) agrees that it will, independently and without reliance upon the Lessor, the Assignor or any other Lease Participant and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Investment Agreement or any other Operative Document; (iii) confirms that it is an Eligible Assignee; (iv) appoints and authorizes the Lessor as its agent to take such action as agent on its behalf and to exercise such powers under the Investment Agreement and the other Operative Documents as are delegated to the Lessor by the terms thereof, together with such powers as are reasonably incidental thereto; (v) assumes the Lease Participant Investment of the Assignor to the extent of the Ownership Interest assigned to it pursuant hereto and agrees that it will perform in accordance with their terms all of the obligations which by the terms of the Investment Agreement are required to be performed by it as a Lease Participant; **[**and**]** (vi) specifies as its address for notices the address set forth beneath its name on the signatures pages hereof **[**and (vii) attaches the forms prescribed by the Internal Revenue Service of the United States certifying as to the Assignee's status for purposes of determining exemption from United States withholding taxes with respect to all payments to be made to the Assignee under the Investment Agreement, or such other documents as are necessary to indicate that all such payments are subject to such rates at a rate reduced by an applicable tax treaty**]**.(1)

Following the execution of this Assignment and Acceptance by the Assignor and the Assignee, it will be delivered to the Administrative Agent (on Lessor's behalf) for the consent by the Lessor and recording by the Administrative Agent. The effective date of this Assignment and Acceptance shall be the date of consent hereto by the Lessor, unless otherwise specified on Schedule 1 hereto (the " Effective Date"). If the Lessor refuses to consent to this Assignment and Acceptance (which it has the right to do, in its sole discretion), this Assignment and Acceptance shall be null and void.

Upon such consent hereto and recording by the Lessor, as of the Effective Date, (i) the Assignee shall be a party to the Investment Agreement as an A Percentage Lease Participant and/or B Percentage Lease Participant, as applicable, and, to the extent provided in this Assignment and Acceptance, have the rights and obligations of an A Percentage Lease Participant and/or B Percentage Lease Participant thereunder and under the other Operative Documents, and (ii) the Assignor shall, to the extent provided in this Assignment and Acceptance, relinquish its rights and obligations and be released from its Ownership Interests under the Investment Agreement and the other Operative Documents.

Upon such consent and recording by the Lessor, from and after the Effective Date, the Lessor (or the Administrative Agent on behalf of the Lessor) shall make all payments under the Investment Agreement in respect of the Ownership Interest assigned hereby (including, without limitation, all payments of Rent, principal and Yield with respect thereto) to the Assignee. The Assignor and Assignee shall make all appropriate adjustments in payments under the Investment Agreement for periods prior to the Effective Date directly between themselves.

THIS ASSIGNMENT AND ACCEPTANCE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK.

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(1) If the Assignee is organized under the laws of a jurisdiction outside the United States.

IN WITNESS WHEREOF, the parties hereto have caused this Assignment and Acceptance to be executed by their respective officers thereunto duly authorized, as of the date first above written, such execution being made on Schedule 1 hereto.

Assignor:

By: ________________________
Name:
Title:

Assignee:

By: ________________________
Name:
Title:

Consented to:

Wachovia Development Corporation, as Lessor

By: ________________________
Title:

Protective Life Insurance Company, as the Company
[If required by Investment Agreement]

By: ________________________
Title:

Schedule 1
to
Assignment and Acceptance
Dated ,

Section 1.

A Percentage Share assigned to Assignee:	[ ]%
Overall B Percentage Share assigned to Assignee:	[ ]%
Aggregate Outstanding Principal Amount of A Percentage Lessor Investments assigned to Assignee:	$[ ]
Aggregate Outstanding Principal Amount of B Percentage Lessor Investments assigned to Assignee:	$[ ]

Section 2.

A Percentage Share retained by Assignor:	[ ]%
Overall B Percentage Share retained by Assignor:	[ ]%
Aggregate Outstanding Principal Amount of A Percentage Lessor Investments retained by Assignor:	$[ ]
Aggregate Outstanding Principal Amount of B Percentage Lessor Investments retained by Assignor:	$[ ]

Section 3*.

Effective Date:	[ ], 20[ ]

* This date should be no earlier than the date of consent by the Lessor.

EXHIBIT D

FORM OF LEGAL OPINION OF COUNSEL

TO THE COMPANY AND THE GUARANTOR

[DELIVERED SEPARATELY]

EXHIBIT E

FORM OF COMPLIANCE CERTIFICATE

Reference is made to the Second Amended and Restated Investment and Participation Agreement dated as of December 19, 2013 (as amended, restated, supplemented, or otherwise modified from time to time, the " Investment Agreement") by and among Protective Life Insurance Company, as the Company, the Lease Participants from time to time parties thereto, Wells Fargo Bank, National Association, as Administrative Agent, and Wachovia Development Corporation, as Lessor. Capitalized terms used herein shall have the meanings ascribed thereto in the Investment Agreement; all amounts shown herein, unless expressly set forth to the contrary, shall be without duplication.

Pursuant to Section 8.01(c) of the Investment Agreement, , the duly authorized of the Guarantor, hereby (i) certifies to the Lessor and the Lease Participants that the information contained in Schedule 1 attached hereto is true, accurate and complete as of , , and that, to the best of our knowledge, no Default is in existence on and as of the date hereof, (ii) restates and reaffirms that the representations and warranties contained in Article VII of the Investment Agreement are true on and as of the date hereof as though restated on and as of this date (except to the extent any such representation or warranty is expressly made as of a prior date) and (iii) certifies that the Debt Rating as of the date of this Compliance Certificate **[**has not changed from the prior Performance Pricing Determination Date **]** **[**has changed to by Moody's and by S&P and the Applicable Margin in effect as a result thereof is %**]** .

PROTECTIVE LIFE CORPORATION,
a Delaware corporation

By: ______________________________
Its:

SCHEDULE I TO COMPLIANCE CERTIFICATE

Schedule of Compliance as of
with provisions of Sections 8.04, 8.19, 8.24, 8.25, 8.26 and 8.27 of the Agreement

1. Section 8.04 — Sales of Assets

A. Aggregate amount of assets sold during fiscal quarter just ended
B. Aggregate amount of assets sold during 3 prior fiscal quarters
C. Sum of A and B
D. Consolidated Total Assets
E. 15% of D
Limitation: C may not exceed E
Complies ☐ Does Not Comply ☐

2. Section 8.19 — Liens on Properties other than the Facility

A. Amount secured by Liens not permitted by items (a) through (l) of clause (ii) of the definition of Permitted Liens
B. Adjusted Consolidated Net Worth (from line C of Paragraph 3 below)
C. 15% of B
Limitation: A may not exceed C
Complies ☐ Does Not Comply ☐

3. Section 8.24 - Adjusted Consolidated Net Worth

A. Consolidated Net Worth	
B. Adjustments, if any, for unrealized net gains and losses on assets held for sale pursuant to SFAS No. 115 and other accumulated comprehensive income pursuant to SFAS No. 133	
C. Adjusted Consolidated Net Worth (A excluding B)	
D. $2,172,683,200	$ 2,172,683,200
E. Cumulative Consolidated Net Income earned after March 31, 2012 (if positive)	
F. 25% of E	
G. Consolidated allowance for uncollectible amounts on investments	
H. D plus F minus G	
I. C minus H (Must be greater than or equal to 0)	

Complies ☐ Does Not Comply ☐

4. Section 8.25 - Ratio of Adjusted Consolidated Indebtedness to Consolidated Capitalization

A. Consolidated Indebtedness	
1. Borrowed money, obligations secured by liens and obligations evidenced by notes acceptances, and other instruments	
2. Deferred purchase of property or services	
3. Capitalized Lease Obligations	
4. Synthetic Lease Obligations	

5. Letters of Credit	
6. Guaranteed Obligations	
B. Short-Term Indebtedness for advance fundings of guaranteed investment contracts, annuities and other similar insurance and investment products	
C. Adjusted Consolidated Indebtedness (A minus B)	
D. Consolidated Capitalization	
1. Adjusted Consolidated Net Worth	
2. Adjusted Consolidated Indebtedness	
3. Sum of D.1 and D.2	
E. Ratio of C to D.3	: 1.0
F. Permitted Ratio	Less than 0.40 : 1.00

Complies ☐ Does Not Comply ☐

5. <u>Section 8.26</u> - Ratio of Unconsolidated Cash Inflow Available for Interest Expense to Adjusted Consolidated Interest Expense

A. Unconsolidated Cash Inflow Available for Interest Expense (for most recent three months)

1. Interest and principal received by Guarantor from Subsidiaries
   - i. Interest
   - ii. Principal
2. Gross management fees received by Guarantor from Subsidiaries

3. Guarantor's operating and administrative expenses (excluding interest expense)
4. Net management fees received by Guarantor from Subsidiaries (2 minus 3)
5. Dividends available to be distributed by Subsidiaries to Guarantor during this year (see attached Exhibit A)
6. A.5 divided by 4
7. Other income (investment income - $ Miscellaneous - $
8. Sum of A.1, A.4, A.6 and A.7

B. Consolidated Interest Expense
C. Interest on Short-Term Indebtedness for advance fundings of guaranteed investment contracts, annuities and other similar insurance and investment products
D. Adjusted Consolidated Interest Expense (B minus C)
E. Ratio of A.8 to D : 1.0
F. Permitted Ratio Greater than 2.00 : 1.00

Complies ☐ Does Not Comply ☐

6. Section 8.27 - Company's Total Adjusted Capital

A. Company's Total Adjusted Capital (See attached Exhibit B)
B. Company's Authorized Control Level Risk-Based Capital
C. 4.0 times B
D. A minus C (must be greater than or equal to 0)

Complies ☐ Does Not Comply ☐

EXHIBIT A

	[Quarter end date]
Dividends Available to be Distributed	
Protective Life Insurance Company	
Prior Year Stat Net Gain from Operations	$
Prior Year End 10% of Policyholder Surplus	$
Greater of Above	$
Year-to-Date Dividends Actually Distributed	
Protective Life Insurance Company	$

EXHIBIT B

	[Quarter end date]
Total Adjusted Capital	
Protective Life Insurance Company	
Capital and Surplus	$
Asset Valuation Reserve	
Dividends Apportioned for Payment	
Protective Life and Annuity Insurance Company	
Capital and Surplus	$
Asset Valuation Reserve	
Dividends Apportioned for Payment	
Golden Gate II Captive Insurance Company (formerly Pacific Captive Insurance Company and formerly Protective Life Insurance Company of Kentucky)	
Capital and Surplus	
Asset Valuation Reserve	
Dividends Apportioned for Payment	
Lyndon	
Capital and Surplus	
Asset Valuation Reserve	
Dividends Apportioned for Payment	
Golden Gate Captive Insurance Company (formerly Protective Life Insurance Company of Ohio)	
Capital and Surplus	
Asset Valuation Reserve	
Dividends Apportioned for Payment	
Golden Gate III Vermont Captive Insurance Company	
Capital and Surplus	
Asset Valuation Reserve	
Dividends Apportioned for Payment	
Golden Gate IV Vermont Captive Insurance Company	
Capital and Surplus	
Asset Valuation Reserve	
Dividends Apportioned for Payment	

Golden Gate V Vermont Captive Insurance Company	
Capital and Surplus	
Asset Valuation Reserve	
Dividends Apportioned for Payment	
West Coast Life Insurance Company	
Capital and Surplus	
Asset Valuation Reserve	
Dividends Apportioned for Payment	
Shades Creek Captive Insurance Company	
Capital and Surplus	
Asset Valuation Reserve	
Dividends Apportioned for Payment	
Eliminate life subsidiary capital included in Company capital	
	$

EXHIBIT F

FORM OF SECOND AMENDED AND RESTATED GUARANTY

[DELIVERED SEPARATELY]

EXHIBIT G

FORM OF LESSOR CONFIRMATION LETTER

[DELIVERED SEPARATELY]

SCHEDULE 1.01

Defined Terms

The following terms shall have the following meanings when used in the "Investment Agreement", the "Lease", the "Guaranty," and all other "Operative Documents" (all terms defined in the singular to have the same meanings when used in the plural and vice versa):

"A Percentage Lease Participant" means any Person who is listed on Schedule 2.01(a) of the Investment Agreement as having an A Percentage Lessor Investment greater than $0.00, or who from time to time becomes an A Percentage Lease Participant pursuant to an Assignment and Acceptance by accepting assignment of an A Percentage Lessor Investment greater than $0.00; collectively, the "A Percentage Lease Participants."

"A Percentage Lessor Investments" means as of the Restatement Closing Date, that portion of the Lessor Investments in an amount equal to sixty-six and 66/100ths (66.66%) of the Facility Cost, as such amount may be reduced from time to time by payments of principal attributable to the A Percentage Lessor Investments.

"A Percentage Ownership Interest" means an undivided ownership interest, in an amount equal to a given A Percentage Lease Participant's A Percentage Share, in the Lessor's rights in the A Percentage Lessor Investments, and in all rights to payments of Rent, Yield, Supplemental Rent (except fees payable pursuant to Section 2.02 of the Investment Agreement) and other amounts payable with respect thereto under the Agreement, the Lease and the other Operative Documents, and with reference to the Lessor and each A Percentage Lease Participant, its Ownership Interest in the A Percentage Lessor Investments, and such rights to payment, after giving effect to the sale by the Lessor to, and the purchase by such A Percentage Lease Participant of, an A Percentage Ownership Interest pursuant to Section 2.01(b) of the Investment Agreement, or to the assignment by an A Percentage Lease Participant pursuant to an Assignment and Acceptance, in each case as set forth in the most recent Ownership Certificate. The title of the Lessor in and to the Facility shall be held in trust by the Lessor for the A Percentage Lease Participants, to the extent of their respective A Percentage Ownership Interests, subject to the Lease, and in the event the Facility is sold (either to the Lessee or a third party, pursuant to Section 15 of the Lease or upon the exercise by the Lessor of rights and remedies pursuant to Section 27 of the Lease), the net sale proceeds thereof also shall be held in trust by the Lessor for the A Percentage Lease Participants, to the extent of their respective A Percentage Ownership Interests.

"A Percentage Share" means for Lessor and each A Percentage Lease Participant, the percentage which its A Percentage Ownership Interest bears to all of the A Percentage Ownership Interests.

"A Percentage Yield" means all Yield accruing from time to time with respect to the A Percentage Lessor Investments.

"Adjusted Consolidated Indebtedness" means (i) Consolidated Indebtedness, less (ii) Short-Term Indebtedness for advance fundings of guaranteed investment contracts, annuities and other similar insurance and investment products.

"Adjusted Consolidated Interest Expense" means for any period of calculation, (i) Consolidated Interest Expense, less (ii) interest on Short-Term Indebtedness for advance fundings of guaranteed investment contracts, annuities and other similar insurance and investment products.

"Adjusted Consolidated Net Worth" means at any date of determination, Consolidated Net Worth excluding all unrealized net losses and gains on assets held for sale pursuant to SFAS 115 and other accumulated comprehensive income pursuant to SFAS No. 133, to the extent such unrealized net losses and gains have been taken into account in determining Consolidated Net Worth.

"Adjusted LIBO Rate" means with respect to any Yield Period, a rate per annum equal to the quotient obtained (rounded upwards, if necessary, to the next higher 1/100th of 1%) by dividing (i) the applicable LIBO Rate for such Yield Period by (ii) 1.00 minus the Eurodollar Reserve Percentage.

"Administrative Agent" means Wells Fargo Bank, National Association, together with its successors and assigns.

"Administrative Supplemental Rent" has the meaning set forth in Section 2.02(b) of the Investment Agreement.

"Affiliate" means with respect to the Guarantor or the Company, as the case may be, (i) any Person that, directly or indirectly, through one or more intermediaries, controls the Guarantor or the Company, as the case may be (a " Controlling Person"), (ii) any Person (other than the Guarantor, the Company or another Subsidiary) which is controlled by or is under common control with a Controlling Person, or (iii) any Person (other than a Subsidiary) of which the Guarantor owns, directly or indirectly, ten percent (10%) or more of the common stock or equivalent equity interests. As used herein, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"Annual Statement" means the annual statutory financial statement of any Insurance Subsidiary required to be filed with the insurance commissioner (or similar authority) of its jurisdiction of incorporation, which statement shall be in the form required by such Insurance Subsidiary's jurisdiction of incorporation or, if no specific form is so required, in the form of financial statements recommended by the NAIC to be used for filing annual statutory financial statements and shall contain the type of information recommended by the NAIC to be disclosed therein, together with all exhibits or schedules filed therewith.

"Anti-Terrorism Laws" has the meaning set forth in Section 7.01(s) of the Investment Agreement.

"Applicable Funding Office" means for each Funding Party, the funding office of such Funding Party (or an affiliate of such Funding Party) designated for any Lessor Investments or Lease Participant Investments on the signature pages of the Investment Agreement (or in an Assignment and Acceptance executed by a Lease Participant pursuant to Section 11.06 of the Investment Agreement) or such other offices of such Funding Party (or of an affiliate of such

Funding Party) as such Funding Party may from time to time specify to the Administrative Agent on behalf of Lessor (if Lessor is not such Funding Party) and the Company as the office by which its Lessor Investments or Lease Participant Investments, as applicable, are to be made and maintained.

"Applicable Margin" means with respect to the Lessor Investments and Lease Participant Investments, as applicable, the applicable rate per annum determined in accordance with the Pricing Schedule.

"Applicable Permit" means any Permit that is or may be necessary to own, renovate, construct, install, start-up, test, maintain, modify, expand, remove, operate, lease or use all or any part of the Facility (including, without limitation, the Site or any business conducted on or related to the Facility or the Site) in accordance with the Operative Documents, and the failure to obtain or maintain which would have a Material Adverse Effect.

"Approved Appraisal" means any appraisal, ordered by the Lessor, but at the Company's cost, from an appraiser or appraisers reasonably acceptable to the Lessor, Arranger (with respect to the Approved Appraisal required for the Restatement Closing Date), and the Agent, which: (i) complies with Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989, as amended, 12 U.S.C. 3331, et seq., and The Regulations and Statements of General Policy on Appraisals promulgated by the Federal Deposit Insurance Corporation, 12 C.F.R. Part 32, as amended, (ii) is performed by a state-certified real estate appraiser certified under the laws of any State, and (iii) reflects the Market Value of the Facility.

"Arranger's Supplemental Rent" has the meaning set forth in Section 2.02(b) of the Investment Agreement.

"Assignment and Acceptance" means an Assignment and Acceptance, in the form of Exhibit C to the Investment Agreement entered into by a Lease Participant and an Eligible Assignee.

"Authorized Officers" means with respect to the Guarantor or the Company, the officers whose signatures and incumbency shall have been certified to the Lessor in a certificate certified by the Secretary or an Assistant Secretary of the Guarantor or the Company, as applicable, in form and substance reasonably satisfactory to the Lessor that are authorized to sign the Lease and the other Operative Documents to which the Company is a party and, until replaced by another Authorized Officer duly authorized for that purpose, to act as its respective representative for the purposes of signing documents and giving notices and other communications in connection with the Lease and the Operative Documents to which it is a party.

"B Percentage Lease Participant" means any Person who is listed on Schedule 2.01(a) to the Investment Agreement as having a B Percentage Lessor Investment greater than $0.00, or who from time to time becomes a B Percentage Lease Participant pursuant to an Assignment and Acceptance by accepting a B Percentage Lessor Investment greater than $0.00; collectively, the "B Percentage Lease Participants."

"B Percentage Lessor Investments" means as of the Restatement Closing Date, that portion of the Lessor Investments in an amount equal to the Non-Recourse Amount, as such amount may be reduced from time to time by payments of principal attributable to the B Percentage Lessor Investments.

"B Percentage Ownership Interest" means an undivided ownership interest, in an amount equal to a given B Percentage Lease Participant's B Percentage Share, in the Lessor's rights in the B Percentage Lessor Investments, and in all rights to payments of Rent, Yield, Supplement Rent (except fees payable pursuant to Section 2.02 of the Investment Agreement) and other amounts payable with respect thereto under the Agreement, the Lease and the other Operative Documents, and with reference to the Lessor and each B Percentage Lease Participant, its Ownership Interest in the B Percentage Lessor Investments, and such rights to payment, after giving effect to the sale by the Lessor to, and the purchase by such B Percentage Lease Participant of, a B Percentage Ownership Interest pursuant to Section 2.01(b) of the Investment Agreement, or to the assignment by a B Percentage Lease Participant pursuant to an Assignment and Acceptance, in each case as set forth in the most recent Ownership Certificate. The title of the Lessor in and to the Facility shall be held in trust by the Lessor for the B Percentage Lease Participants, to the extent of their respective B Percentage Ownership Interests, subject to the Lease, and in the event the Facility is sold (either to the Lessee or a third party, pursuant to Section 15 of the Lease or upon the exercise by the Lessor of rights and remedies pursuant to Section 27 of the Lease), the net sale proceeds thereof also shall be held in trust by the Lessor for the B Percentage Lease Participants, to the extent of their respective B Percentage Ownership Interests.

"B Percentage Share" means for Lessor and each B Percentage Lease Participant, the percentage which its B Percentage Ownership Interest bears to all of the B Percentage Ownership Interests.

"B Percentage Yield" means all Yield accruing from time to time with respect to the B Percentage Lessor Investments.

"Banking Authority" has the meaning set forth in Section 5.02 of the Investment Agreement.

"Base Rate" means for any day, the rate per annum equal to the higher as of such day of (i) the Prime Rate, and (ii) one-half of one percent above the Federal Funds Rate. For purposes of determining the Base Rate for any day, changes in the Prime Rate shall be effective on the date of each such change.

"Basic Rent" means with respect to any Rental Period during the Basic Term, for each day during such Rental Period (whether or not a Business Day), the amount of all Yield (excluding Yield on Supplemental Rent payable pursuant to Section 2.02 of the Investment Agreement) accruing for such day pursuant to and in accordance with the Investment Agreement.

"Basic Term" means with respect to the Lease, and subject to the terms and conditions set forth therein and in the other Operative Documents, the period commencing on the Lease

Commencement Date and ending on the earlier to occur of (i) the Option Date, (ii) the Cancellation Date, or (iii) the Scheduled Lease Termination Date.

"Business Day" means (i) for all purposes other than as set forth in clause (ii) below, any day except Saturday, Sunday or other day on which commercial banks in Charlotte, North Carolina, or Birmingham, Alabama, are authorized or required by law or other government action to close, and (ii) with respect to all notices and determinations in connection with, and payments of principal of and interest on, the Lessor Investments, and notices and determinations in connection with and payments of Basic Rent, any day that is a Business Day described in clause (i) above and that is also a day for trading by and between banks in the London interbank eurodollar market.

"Cancellation Date" has the meaning set forth in Section 15(b) of the Lease.

"Cancellation Event" has the meaning set forth in Section 15(b) of the Lease, and shall include a Loss Event.

"Capitalized Lease Obligations" of a Person means the amount of the obligations of such Person under leases that would be shown as a liability on a balance sheet such Person prepared in accordance with GAAP, including obligations under the Lease.

"Capital Stock" means any nonredeemable capital stock, membership interests or partnership interests of the Guarantor or any Consolidated Subsidiary (to the extent issued to a Person other than the Guarantor), whether common or preferred.

"Casualty Occurrence" means any of the following events in respect of the Facility, (i) any material loss of the Facility or material loss of use thereof which does not constitute a Loss Event, or (ii) the condemnation, confiscation or seizure of, or requisition of title to or use of, any material part of the Facility which action does not constitute a Loss Event.

"CERCLA" means the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C. § 9601 et. seq., and its implementing regulations and amendments.

"CERCLIS" means the Comprehensive Environmental Response Compensation and Liability Inventory System established pursuant to CERCLA.

"Change in Law" means the occurrence, after the Restatement Closing Date, of any of the following: (i) the adoption or taking effect of any law, rule, regulation or treaty, (ii) any change in any law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (iii) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority; provided that notwithstanding anything herein to the contrary, (a) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (b) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law", regardless of the date enacted, adopted or issued.

"Change of Control" means the acquisition by any Person, or two or more Persons acting in concert, of beneficial ownership (within the meaning of Rule 13d-3 of the Securities and Exchange Commission under the Securities Exchange Act of 1934) of 35% or more of the outstanding shares of voting stock of the Guarantor.

"Code" means the Internal Revenue Code of 1986, as amended, and any successor Federal tax code.

"Collateral" has the meaning set forth in Section 26(d) of the Lease.

"Co-Lessee" has the meaning set forth in Section 21(b) of the Lease.

"Company" means Protective Life Insurance Company, a Tennessee corporation, and its successors, and such term shall refer to it, as the context shall require, as (i) the Company hereunder, or (ii) as the Lessee under the Lease.

"Company Agents" has the meaning set forth in Section 11.03(b) of the Investment Agreement.

"Compliance Certificate" means the certificate described in Section 8.01(c) of the Investment Agreement.

"Consolidated Capitalization" means at any date of determination, the sum of (i) Adjusted Consolidated Net Worth as at such date plus (ii) Adjusted Consolidated Indebtedness as at such time.

"Consolidated Indebtedness" means the Indebtedness of the Guarantor and the Subsidiaries determined on a consolidated basis in accordance with GAAP.

"Consolidated Interest Expense" means for any period of calculation, interest expense or Indebtedness, whether paid or accrued, of the Guarantor and the Subsidiaries calculated on a consolidated basis in accordance with GAAP.

"Consolidated Net Income" means for any period of calculation, the consolidated net income of the Guarantor and the Subsidiaries for such period, as shown on the consolidated financial statement of Guarantor and the Subsidiaries delivered in accordance with Section 8.01(a) of the Investment Agreement.

"Consolidated Net Worth" means at any date of determination, the amount of consolidated common shareholders' equity of the Guarantor and the Subsidiaries, determined as at such date in accordance with GAAP (or SAP, with respect to the Insurance Subsidiaries).

"Consolidated Subsidiary" means a Subsidiary, the accounts of which are customarily consolidated with those of the Guarantor, for the purpose of reporting to stockholders of the Guarantor, or to the Lessor and each of the Lease Participants, or, in the case of a recently acquired Subsidiary, the accounts of which would, in accordance with the Guarantor's regular practice, be so consolidated for that purpose.

"Consolidated Total Assets" means at any time, the total assets of the Guarantor and the Consolidated Subsidiaries, determined on a consolidated basis, as set forth or reflected on the most recent consolidated balance sheet of the Guarantor and the Consolidated Subsidiaries, prepared in accordance with GAAP and delivered to the Lessor and the Lease Participants pursuant to Section 8.01(a) or (b) of the Investment Agreement.

"Controlled Group" means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Guarantor, are treated as a single employer under Section 414 of the Code.

"Credit Agreement" means the Credit Agreement dated as of July 17, 2012, among the Guarantor and the Company, as the Borrowers, the lenders from time to time party thereto, Regions Bank, as Administrative Agent and Swingline Lender, Wells Fargo Bank, National Association, as Syndication Agent, Regions Capital Markets, as Joint Lead Arranger and Sole Bookrunner, Wells Fargo Securities, LLC, as Joint Lead Arranger, Barclays Bank PLC, Compass Bank and U.S. Bank National Association, as Co-Documentation Agents, and Bank of America, N.A., Fifth Third Bank and PNC Bank, National Association, as Senior Managing Agents, as the same may be amended, restated, supplemented, or otherwise modified from time to time.

"Debt Rating" means at any time whichever is the higher of the rating of the Guarantor's long-term senior unsecured, non-credit enhanced monitored credit rating by Moody's or S&P (provided, that in the event of a double or greater split rating, the rating immediately below the higher rating shall apply), or if only one of them rates the Guarantor's long-term senior unsecured, unenhanced debt, such rating.

"Default" means any condition or event that constitutes an Event of Default or that with the giving of notice or the lapse of time or both would, unless cured or waived, become an Event of Default.

"Default Rate" means with respect to any Lessor Investments, Rent or any other amount payable under any Operative Document, on any day, the sum of two percent (2%) plus the Adjusted LIBO Rate.

"Dollars" and "$" means dollars in lawful currency of the United States of America.

"Eligible Assignee" means with respect to any particular assignment under Section 11.06 of the Investment Agreement, any bank or other financial institution that is (i) already a Lease Participant or an affiliate of a Lease Participant, or (ii) consented to by Lessor and the Company, which consent shall not be unreasonably withheld or delayed; provided, however, that the Company's consent shall not be required if a Default or Event of Default exists.

"Eligible Lessor" means a Person (i) of which another Person (the "Lessor Parent") has voting control of, which voting control is represented by a majority of the outstanding voting equity interests (the "Majority Equity Interest"), held by the Lessor Parent (ii) that has a legal form that allows holders of the Majority Equity Interests to make decisions and manage such Person's activities; (iii) that believes that its level of net worth is sufficient to allow it to finance its activities; (iv) that has the Majority Equity Interests which are the first interest subject to loss if such Person's assets are not sufficient to meet its obligations; (v) that did not receive assets that are beneficial interests in a special purpose entity in exchange for the issuance of the Majority Equity Interests; (vi) that did not receive funds in exchange for the Majority Equity Interests from any of the Lease Participants, other than the Lessor Parent or its Affiliates; and (vii) that holds title to real estate or equipment assets with a fair market value equal to or in excess of $250,000,000.

"Engagement Letter" means the letter from the Lessor to the Company dated as of the Restatement Closing Date setting out fees and expenses due to Lessor in connection with the closing of the Investment Agreement and related transactions.

"Environmental Assessment" means collectively, a phase 1 report conducted by an independent engineering firm reasonably acceptable to the Lessor in scope and substance satisfactory to the Lessor, and in any event satisfying the minimum standards set forth in ASTME 1527-05 (and, if recommended in or indicated by the phase 1 report, a phase 2, environmental soil test or other environmental report or reports), reflecting compliance of the Facility in all material respects with all applicable Environmental Requirements.

"Environmental Authority" means any foreign, federal, state, local or regional Governmental Authority that exercises any form of jurisdiction or authority under any Environmental Requirement.

"Environmental Authorizations" means all licenses, permits, orders, approvals, notices, registrations or other legal prerequisites for conducting the business of the Guarantor, the Company or any other Subsidiary, or for the uses and activities of, on or relating to the Facility, required by any Environmental Requirement.

"Environmental Damages" means any and all claims, losses, costs, damages, penalties and expenses which are incurred at any prior or subsequent time as a result of the existence or release of Hazardous Materials upon, about or beneath the Facility or migrating or threatening to migrate to or from the Facility, or the existence of a violation of Environmental Requirements pertaining to the Facility, regardless of whether the existence of such Hazardous Materials or the violation of Environmental Requirements arose prior to the present ownership or operation of the Facility.

"Environmental Judgments and Orders" means all Judgments, arising from or in any way associated with any Environmental Requirements, whether or not entered upon consent or written agreements with an Environmental Authority or other entity arising from or in any way associated with any Environmental Requirement, whether or not incorporated in a Judgment.

"Environmental Liabilities" means any liabilities or Liens, whether accrued, contingent or otherwise, arising from and in any way associated with any Environmental Requirements.

"Environmental Notices" means written notice from any Environmental Authority or by any other Person, of possible or alleged noncompliance with or liability under any Environmental Requirement, including without limitation any complaints, citations, demands or requests from any Environmental Authority or from any other person or entity for correction of any violation of any Environmental Requirement or any investigations concerning any violation of any Environmental Requirement.

"Environmental Proceedings" means any judicial or administrative proceedings arising from or in any way associated with any Environmental Requirement.

"Environmental Release" means any actual or threatened release defined in CERCLA or under any state or local environmental law or regulation.

"Environmental Requirements" means any statue, rule, regulation, ordinance, permit, license administration or judicial decision or order (whether by consent or otherwise) or the requirement of law with respect to: (i) the protection of human health and/or the environment; (ii) the existence, handling, use, generation, treatment, storage, packaging, labeling, removal or Environmental Release of Hazardous Materials on, under, about and/or from any real property, including the Facility; and (iii) the effects on the environment of any activity now, previously, or hereinafter conducted on any real property, including the Facility. The Environmental Requirements shall include, but not be limited to, the following: CERCLA; the Superfund Amendments and Reauthorization Act, Public Law 99-499, 100 Stat. 1613; the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901, et seq.; the Toxic Substances Control Act, 15 U.S.C. §§ 2601, et seq.; the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251, et seq.; the Clean Air Act, 42 U.S.C. §§ 7401, et seq.; the Occupational Safety and Health Act, 29 U.S.C. §§ 651, et seq.; the Emergency Planning and Community Right-To-Know Act of 1986, 42 U.S.C. §§ 11001, et seq.; the state and local analogies thereto, all as amended or superseded from time to time; and any common-law doctrine, including but not limited to, negligence, nuisance, strict liability, trespass, personal injury, or property damage related to or arising out of the presence, Environmental Release or exposure to a Hazardous Material; and all federal, state and local ordinances, regulations, orders, writs and decrees.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, or any successor law and the regulations promulgated and rulings issued from time to time thereunder. Any reference to any provision of ERISA shall also be deemed to be a reference to any successor provision or provisions thereof.

"ERISA Affiliate" means any Person that is a member of the Guarantor's Controlled Group.

"ERISA Event" means (i) a "reportable event" within the meaning of Section 4043 of ERISA and the regulations issued thereunder with respect to any Plan (excluding those for which notice to the PBGC has been waived by regulation); (ii) the failure to meet the minimum funding standard of Section 412 of the Internal Revenue Code with respect to any Plan (whether or not waived in accordance with Section 412(c) of the Code), the failure to make by its due date any minimum required contribution or any required installment under Section 430(j) of the Code with respect to any Plan or the failure to make by its due date any required contribution to a Multiemployer Plan; (iii) the provision by the administrator of any Plan pursuant to Section 4041(a)(2) of ERISA of a notice of intent to terminate such plan in a distress termination described in Section 4041(c) of ERISA; (iv) the withdrawal from any Plan with two (2) or more contributing sponsors or the termination of any such Plan, in either case resulting in material liability pursuant to Section 4063 or 4064 of ERISA; (v) the institution by the PBGC of proceedings to terminate any Plan, or the occurrence of any event or condition reasonably likely to constitute grounds under ERISA for the termination of, or the appointment of a trustee to administer, any Plan; (vi) the imposition of liability pursuant to Section 4062(e) or 4069 of ERISA or by reason of the application of Section 4212(c) of ERISA, each case reasonably likely to result in material liability; (vii) the withdrawal of the Company or the Guarantor, any of their respective Subsidiaries or any of their respective ERISA Affiliates in a complete or partial withdrawal (within the meaning of Sections 4203 and 4205 of ERISA) from any Multiemployer Plan if such withdrawal is reasonably likely to result in material liability, or the receipt by the Company or the Guarantor, any of their respective Subsidiaries or any of their respective ERISA Affiliates of notice from any Multiemployer Plan that it is in reorganization or insolvency pursuant to Section 4241 or 4245 of ERISA, or that it is in "critical" or "endangered" status within the meaning of Section 103(f)(2)(G) or ERISA, or that it intends to terminate or has terminated under Section 4041A or 4042 of ERISA, if such reorganization, insolvency or termination is reasonably likely to result in material liability; (viii) the imposition of fines, penalties, taxes or related charges under Chapter 43 of the Code or under Section 409, Section 502(c), (i) or (l), or Section 4071 of ERISA in respect of any Plan if such fines, penalties, taxes or related charges are reasonably likely to result in material liability; (ix) the assertion of a material claim (other than routine claims for benefits and funding obligations in the ordinary course) against any Plan other than a Multiemployer Plan or the assets thereof, or against any Person in connection with any Plan such Person sponsors or maintains reasonably likely to result in material liability; (x) receipt from the Internal Revenue Service of a final written determination of the failure of any Plan intended to be qualified under Section 401(a) of the Code to qualify under Section 401(a) of the Code, or the failure of any trust forming part of any such plan to qualify for exemption from taxation under Section 501(a) of the Code; or (xi) the imposition of a lien pursuant to Section 430(k) of the Code or pursuant to Section 303(k) or 4068 of ERISA or any violation of Section 436 of the Code or Section 206(g) of ERISA.

"ERISA Insufficiency" means with respect to any Plan, the amount, if any, of its unfunded benefit liabilities as defined in Section 4001(a)(18) of ERISA.

"Eurocurrency Liabilities" has the meaning set forth in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Eurodollar Reserve Percentage" means for any day the percentage (expressed as a decimal) that is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the Federal Reserve System in respect of Eurocurrency Liabilities (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on loans made at the LIBO Rate is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Funding Party to United States residents). The Adjusted LIBO Rate shall be adjusted automatically on and as of the effective date of any change in the Eurodollar Reserve Percentage.

"Event of Default" means each of the each of the events or circumstances defined as an "Event of Default" in Section 9.01 of the Investment Agreement.

“Facility” means the collective reference to (i) the Lessor’s leasehold interest in the Site, (ii) the Improvements, and (iii) all plans, specifications, warranties and related rights and operating, maintenance and repair manuals related thereto and all replacements of any of the above.

“Facility Cost” means $75,000,000.

“Facility Plan” means the architectural and engineering plans and specifications for the Facility and list of Facility Plan documents furnished to the Lessor pursuant to the Original Investment Agreement, as the same may have been duly amended, restated, supplemented or otherwise modified from time to time prior to the effective date of the Amended and Restated Investment Agreement.

“Federal Funds Rate” means for any day, the rate per annum (rounded upward, if necessary, to the next higher 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day, provided that (i) if the day for which such rate is to be determined is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next succeeding Business Day, and (ii) if such rate is not so published for any day, the Federal Funds Rate for such day shall be the average rate charged to the Lessor on such day on such transactions, as determined by the Lessor.

“Final Rent Payment” means an amount equal to the sum of (i) (a) the aggregate amount of the Unrecovered Lessor Investments, less (b) the Non-Recourse Amount, (ii) all accrued, unpaid Supplemental Rent through the end of the Lease Term, plus (iii) all accrued, unpaid A Percentage Yield through the end of the Lease Term, plus (iv) all accrued and unpaid B Percentage Yield through the end of the Lease Term, plus (v) other amounts owing by the Company under the Operative Documents (other than the Unrecovered Lessor Investments attributable to the Non-Recourse Amount).

“Fiscal Quarter” means any fiscal quarter of the Guarantor or the Company, as the case may be.

“Fiscal Year” means any fiscal year of the Guarantor or the Company, as the case may be.

“Fourth Master Assignment and Acceptance” means that certain Master Assignment and Acceptance dated as of the Restatement Closing Date by and among the Lessor, the Administrative Agent, the Company, the Guarantor, SunTrust Bank, and Citibank, N.A., as the same may be amended, restated, supplemented, or otherwise modified from time to time.

“Funded Amount” means the aggregate amount of the A Percentage Lessor Investments, the B Percentage Lessor Investments, Yield thereon, Supplemental Rent pursuant to Section 2.04 of the Investment Agreement, expenses and indemnities owing or to be owing to the Lessor and the Lease Participants, and (without duplication) all other amounts owing by the Company to the Lessor or the Lease Participants pursuant to the Investment Agreement or any other Operative Document.

"Funding Party" means any one, or more, or all, as the context shall require, of the Lessor and the Lease Participants, collectively, the " Funding Parties".

"GAAP" means generally accepted accounting principles in the United States of America applied on a basis consistent with those which, in accordance with Section 1.02 of the Investment Agreement, are to be used in making the calculations for purposes of determining compliance by the Guarantor with the provisions of the Operative Documents applicable thereto.

"Governmental Authority" means the country, state, county, city and political subdivisions in which any Person or any such Person's property is located or that exercises valid jurisdiction over any such Person or any such Person's property, and any court, agency, department, commission, board, bureau or instrumentality of any of them including monetary authorities that exercise valid jurisdiction over any such Person or any such Person's property. Unless otherwise specified, all references to Governmental Authority herein shall mean a Governmental Authority having jurisdiction over, where applicable, the Guarantor, the Company, the Site, the Facility, the Lessor, any Lease Participant, any Applicable Funding Office or any Operative Document.

"Governmental Requirement" means any law, statute, code, ordinance, order, determination, rule, regulation, judgment, decree, writ, order, injunction, franchise, permit, certificate, license, authorization or other direction or requirement (whether or not having the force of law), including, without limitation, Environmental Requirements, and occupational, safety and health standards or controls, of any Governmental Authority.

"Ground Lease" means that certain Second Amended and Restated Ground Lease dated as of the Restatement Closing Date by and between the Company, as lessor, and Lessor, as lessee, as the same may be amended, restated, supplemented, or otherwise modified from time to time.

"Guaranteed Obligations" of a Person, means, without limitation, such Person's guaranties, endorsements, assumptions and other contingent obligations with respect to, or to purchase or to otherwise pay or acquire, Indebtedness of others.

"Guarantor" means Protective Life Corporation, a Delaware corporation, and its successors.

"Guaranty" means the Second Amended and Restated Guaranty, in the form of Exhibit F, of even date with the Investment Agreement, from the Guarantor to the Lessor for the benefit of the Lessor and the Lease Participants, pursuant to which the Guarantor, as primary obligor, guarantees and is liable for all of the Company's obligations under all Operative Documents, as amended, supplemented or otherwise modified from time to time.

"Hazardous Materials" means and includes, without limitation, (i) solid or hazardous waste, as defined in the Resource Conservation and Recovery Act of 1980, 42 U.S.C. § 6901 et seq., and its implementing regulations and amendments, or in any applicable state or local law or regulation, (ii) "hazardous substance," "pollutant," or "contaminant" as defined in CERCLA, or in any applicable federal, state or local law or regulation, (iii) gasoline, or any other petroleum product or by-product, including crude oil or any fraction thereof, (iv) insecticides, fungicides, or rodenticides, as defined in the Federal Insecticide, Fungicide, and Rodenticide Act of 1975, or in any applicable federal, state or local law or regulation, as each such Act, statute or regulation may be amended from time to time, or (v) any toxic or hazardous materials, wastes, polychlorinated biphenyls ("PCBs"), lead-containing materials, asbestos or asbestos-containing materials, urea formaldehyde, radioactive materials, pesticides, the discharge of sewage or effluent, or any other materials or substances defined as or included in the definition of "hazardous materials," "hazardous waste," "contaminants" or similar terms under any Environmental Requirement.

"Highest Lawful Rate" means with respect to each Funding Party, the maximum non-usurious Yield that at any time or from time to time may be contracted for, taken, reserved, charged or received on the Lessor Investments and the Lease Participant Investments or on other amounts owing hereunder under laws applicable to such Funding Party which are presently in effect or, to the extent allowed by law, under such applicable laws which may hereafter be in effect and which allow a higher maximum non-usurious Yield rate than applicable laws now allow.

"Impositions" means without duplication, as to any Person, (i) all Taxes, assessments, levies, fees, water and sewer rents and charges, inspection fees and other authorization fees and all other governmental charges, general and special, ordinary and extraordinary, foreseen and unforeseen, of every character (including all penalties and interest thereon) that, at any time prior or subsequent to the Restatement Closing Date, are imposed or levied upon or assessed against or may be or constitute a Lien upon such Person or such Person's Property, or that arise in respect of the ownership, operation, occupancy, possession, use, non-use, condition, leasing or subleasing of such Person's Property; (ii) all charges, levies, fees, rents or assessments for or in respect of utilities, communications and other services rendered or used on or about such Person's Property; (iii) payments required in lieu of any of the foregoing; but excluding any penalties or fines imposed on any Funding Party for violation by it of any banking laws or securities law; and (iv) any and all taxes, recording fees and other charges (including penalties and interest) relating to or arising out of the execution, delivery or recording of any of the Operative Documents for the amounts evidenced, secured or referred to be paid thereby, including without limitation, documentary stamp taxes, intangible taxes, recording fees and sales and rent taxes.

"Improvements" means, collectively, the building and parking deck and related enhancements and improvements, including furniture, fixtures and equipment constructed or installed on the Site in accordance with the Facility Plan, together with all accessions thereto and replacements thereof, and together with all accessories, equipment, parts and devices thereto, and all fixtures now or hereafter included in or attached to the Site, the building and such enhancements and improvements and modifications, but excluding the Site.

"Indebtedness" of a Person means, without duplication, such Person's (i) obligations for borrowed money, (ii) obligations representing the deferred purchase price of Property or services (other than accounts payable arising in the ordinary course of such Person's business payable on terms customary in the trade), (iii) obligations, whether or not assumed, payable out of the proceeds or production from Property now or hereafter owned or acquired by such Person, (iv) obligations evidenced by notes, acceptances or other similar debt instruments, (v) Capitalized

Lease Obligations, (vi) obligations for reimbursement of drafts drawn or available to be drawn under letters of credit, (vii) Synthetic Lease Obligations and (viii) Guaranteed Obligations. It is understood and agreed, for the avoidance of doubt, that (a) annuities, guaranteed investment contracts, funding agreements, Federal Home Loan Bank Advances and similar instruments and agreements, (b) obligations (including without limitation trust obligations) under reinsurance, coinsurance, modified coinsurance agreements or similar agreements and related trust agreements, and (c) obligations and liabilities arising under insurance products created or entered into in the normal course of business shall not constitute "Indebtedness." Notwithstanding the foregoing, Indebtedness shall not include: (1) the following obligations issued in connection with the funding or financing of statutory reserves with respect to which such Person has no obligation to repay: (A) Surplus Notes or other obligations of Subsidiaries of such Person, (B) any securities backed by such Surplus Notes, (C) letters of credit issued for the account of Subsidiaries of such Person that are not issued under this Agreement, (D) any guarantees by the issuers of the obligations described in (A), (B) and (C) above, and (E) any guarantee of a parent of the obligations of a Subsidiary in connection with any such funding or financing of statutory reserves, including guarantees of the obligations described in (A) and (B) above, provided that any such guarantee is either approved or not disapproved, as the case may be, by the applicable Governmental Authority; (2) the sale and issuance of $800 million of senior notes of PLC during the fourth quarter of 2009, the proceeds of which were used to purchase Reserve Financing Notes in connection with the funding of statutory reserves, including any refinancing thereof from time to time, and any subsequent reserve financing transaction approved pursuant to the Credit Agreement; (3) any Short-Term Indebtedness incurred for the pre-funding of anticipated policy obligations or anticipated investment cash flow; (4) obligations that are not otherwise included in items (i) through (viii) of the definition of Indebtedness, but which would be classified as a liability on such Person's financial statements only by reason of FASB ASC 810 or a subsequent accounting pronouncement having a substantially similar impact so long as such obligations remain nonrecourse; (5) any indebtedness of a separate account maintained by a Subsidiary for which there is no recourse to the Company or the Guarantor; or (6) any indebtedness consisting of obligations owed to a bank in connection with cash management services.

"Indemnified Party" has the meaning set forth in Section 11.03(c) of the Investment Agreement.

"Indemnified Risks" has the meaning set forth in Section 11.03(c) of the Investment Agreement.

"Insurance Requirements" means all terms of any insurance policy (including, without limitation, casualty and general liability) covering or applicable to the Facility or any portion thereof maintained in accordance with Section 14 of the Lease and all requirements of the issuer of any such policy.

"Insurance Subsidiary" means any Subsidiary that is engaged in the business of insuring risk, including, without limitation, the Company.

"Investment" means any investment in any Person, whether by means of purchase or acquisition of obligations or securities of such Person, capital contribution to such Person, loan or advance to such Person, making of a time deposit with such Person, Guarantee or assumption of any obligation of such Person or otherwise.

"Investment Agreement" means the Second Amended and Restated Investment and Participation Agreement, dated as of the Restatement Closing Date, among the Company, the Administrative Agent, the Lessor, and the Lease Participants, as amended, supplemented, renewed, extended or otherwise modified from time to time.

"Judgment" means any judgment, decree, writ, order, determination, injunction, rule or other direction or requirement of any arbitrator or any court, tribunal or other Governmental Authority.

"Lease" means the Second Amended and Restated Lease Agreement, dated as of the Restatement Closing Date, pursuant to which the Company, as Lessee, has agreed to lease the Facility on and after the Lease Commencement Date for the Permitted Use in accordance with the terms and conditions set forth in the Lease, as the same may be amended, restated, supplemented, or otherwise modified from time to time.

"Lease Commencement Date" means the Restatement Closing Date.

"Lease Event of Default" has the meaning set forth in the Lease Agreement.

"Lease Participant" means any Person who is listed as a Lease Participant on the signature pages of the Investment Agreement, or who from time to time becomes a Lease Participant pursuant to an Assignment and Acceptance; collectively, the "Lease Participants". The term Lease Participant shall include any or all of the A Percentage Lease Participants and the B Percentage Lease Participants, as applicable.

"Lease Participant Investments" means as to (i) each A Percentage Lease Participant, its A Percentage Share of the A Percentage Lessor Investments and (ii) each B Percentage Lease Participant, its B Percentage Share of the B Percentage Lessor Investments, in each case as evidenced by, embodied in, or corresponding to such Lease Participant's A Percentage Ownership Interest or B Percentage Ownership Interest.

"Lease Participant Office" means, for each Lease Participant, the office of such Lease Participant specified in such Lease Participant's signature page to the Investment Agreement or in the applicable Assignment and Acceptance, or such other office of such Lease Participant as such Lease Participant may notify the Lessor in writing from time to time.

"Lease Term" means the period of time commencing on the Lease Commencement Date and ending on the Lease Termination Date.

"Lease Termination Date" means the earlier to occur of (i) the Option Date, (ii) the Cancellation Date, (iii) the date of termination as a result of a Termination Event and (iv) the Scheduled Lease Termination Date.

"Lessee" means the Company in its capacity as Lessee under the Lease and any successor or permitted assign in such capacity.

"Lessor" means the Lessor and any successor or Eligible Lessor Assignee permitted by the terms of the Investment Agreement and the Lease.

"Lessor Equity Interest" means that portion of the B Percentage Lessor Investments in an amount equal to 5.00000% of the Facility Cost, which amount shall be owned and retained by the Lessor.

"Lessor Investments" means at any time of determination, the aggregate of all amounts of Facility Cost funded by the Lessor or capitalized as part of Facility Cost pursuant to the Investment Agreement, less any payments thereon or redemptions thereof. The term " Lessor Investments" includes, at any time and as the context may require, those Lessor Investments made by Lessor, the A Percentage Lessor Investments, and the B Percentage Lessor Investments.

"LIBO Rate" means with respect to any Lessor Investments for the applicable Yield Period therefor, or any other amount, the rate per annum determined on the basis of the offered rate for deposits of three months in Dollars of amounts equal or comparable to the principal amount of such Lessor Investments, or any such other amount, as applicable, which rates appear on the page of Reuters Screen (LIBOR01 Page) at approximately as of 11:00 A.M., London time, two Business Days prior to the first day of such Yield Period, provided that will be the arithmetic average (rounded upward, if necessary, to the next higher 1/16th of 1%) of such offered rates; (b) if no such offered rates appear on such page, the "LIBO Rate" for such Yield Period, as applicable, will be the arithmetic average (rounded upward, if necessary, to the next higher 1/16th of 1%) of rates quoted by not less than two major banks in New York City, selected by the Administrative Agent (on behalf of the Lessor), at approximately 10:00 A.M., New York City time, two Business Days prior to the first day of such Yield Period, as applicable, for deposits in Dollars offered to leading European banks for a period comparable to such Yield Period, in an amount comparable to the principal amount of such Lessor Investments, or any such other amount.

"Lien" means with respect to any asset, any mortgage, deed to secure debt, deed of trust, lien, pledge, charge, security interest, security title, preferential arrangement which has the practical effect of constituting a security interest or encumbrance, or encumbrance or servitude of any kind in respect of such asset to secure or assure payment of any Indebtedness or a Guarantee, whether by consensual agreement or by operation of statute or other law, or by any agreement, contingent or otherwise, to provide any of the foregoing. For the purposes of this definition, each of the Company, the Guarantor, and any Subsidiary thereof shall be deemed to own subject to a Lien any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

"Limited Recourse Event of Default" means each Event of Default described on Schedule 1.01(c), attached hereto and made a part hereof.

"Loss Event" means any of the following events in respect of the Facility: (i) the total loss of the Facility or the total loss of use thereof due to theft, disappearance, destruction, damage beyond repair or rendition of the Facility permanently unfit for normal use for any reason whatsoever; (ii) any damage to the Facility which results in an insurance settlement with respect to the Facility on the basis of a total loss; (iii) the permanent condemnation, confiscation or seizure of, or requisition of title to or use of, all or substantially all of the Facility including, but not limited to, a permanent taking by eminent domain of such scope that the untaken part of the Facility is insufficient to permit the restoration of the Facility for continued use in the Company's business or that causes the remaining part of the Facility to be incapable of being restored to a condition that would permit the remaining portion of the Facility (without the portion of the Facility taken by eminent domain) to continue to have the capacity and functional ability to perform on a continuing basis (subject to normal interruptions in the ordinary course of business for maintenance, inspection, service, repair and testing) and in commercial operation, the function for which the Facility (as a whole) was designed as specified in the Facility Plan or a temporary taking of such nature for a period exceeding one hundred eighty (180) consecutive days; or (iv) the occurrence of any event or the discovery of any condition in, on, beneath or involving the Facility or any portion thereof (including, but not limited to the presence of hazardous substances or the violation of any applicable Environmental Requirement) that would have a material adverse effect on the use, occupancy, possession, condition, value or operation of the Facility or any portion thereof, which event or condition requires remediation (A) the cost of which is anticipated, in the opinion of the Lessor, in consultation with an independent environmental engineering firm, to exceed fifteen percent (15%) of the Termination Value, and (B) that could not reasonably be expected to be completed substantially in its entirety prior to the date that is 30 days prior to the then-applicable Scheduled Lease Termination Date or is not actually completed substantially in its entirety on or before the date that is thirty (30) days prior to the then-applicable Scheduled Lease Termination Date.

"Majority Funding Parties" means at any time Funding Parties owning at least fifty-one percent (51%) of the aggregate amount of the Ownership Interests (the A Percentage Ownership Interests and the B Percentage Ownership Interests being considered as a single class and not separately and without regard to any sale by a Lease Participant of a participation in its Ownership Interest under Section 11.06(g) of the Investment Agreement).

"Margin Stock" means "margin stock" as defined in Regulations U or G of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"Market Value" means as defined in Section 323.2(f) of the Regulations and Statements of General Policy on Appraisals promulgated by the Federal Deposit Insurance Corporation, 12 C.F.R. § 323.2(f), as amended from time to time.

"Material Adverse Effect" means a material adverse effect on (i) the business, property condition (financial or otherwise), results of operations or prospects of the Guarantor and the Consolidated Subsidiaries taken as a whole, (ii) the ability of the Guarantor and the Consolidated Subsidiaries to perform their obligations under the Investment Agreement and the other Operative Documents, (iii) rights and remedies of the Funding Parties under the Operative Documents, or the ability of the Company or the Guarantor to perform its obligations under the Operative Documents to which it is a party, (iv) the legality, validity or enforceability of any Operative Document, or (v) the use, occupancy, possession, condition, value or operation of the Facility.

"Material Subsidiary" means any Subsidiary which meets or exceeds any of the following conditions:

(i) the Guarantor's and its other Subsidiaries' investments in and advances to the Subsidiary exceed ten percent (10%) of the total assets of the Guarantor and its Subsidiaries consolidated as of the end of the most recently completed fiscal year; or

(ii) the Guarantor's and its other Subsidiaries' proportionate share of the total assets (after intercompany eliminations) of the Subsidiary exceeds ten percent (10%) of the total assets of the Guarantor and its Subsidiaries consolidated as of the end of the most recently completed fiscal year; or

(iii) the Guarantor's and its other Subsidiaries' equity in the income from continuing operations before income taxes, extraordinary items and cumulative effect of a change in accounting principle of the Subsidiary exceeds ten percent (10%) of such income of the Guarantor and its Subsidiaries consolidated as of the end of the most recently completed fiscal year.

"Maturity Date" means the earlier to occur of (i) the Option Date, (ii) the Cancellation Date, and (iii) the Lease Termination Date.

"Moody's" means Moody's Investors Service, Inc., together with its successors.

"Multiemployer Plan" means a "multiemployer plan" as set forth in Section 3(37) of ERISA.

"NAIC" means the National Association of Insurance Commissioners or any successor thereto, or in lieu thereof, any other association, agency or other organization performing advisory, coordination or other like functions among insurance departments, insurance commissions and similar Governmental Authorities of the various states of the United States of America toward the promotion of uniformity in the practices of such Governmental Authorities.

"Non-Recourse Amount" means an amount equal to twelve and eight-tenths percent (12.8%) of the Facility Cost.

"Non-U.S. Domestic Participant" has the meaning set forth in Section 4.06(b) of the Investment Agreement.

"OFAC" means the U.S. Department of the Treasury's Office of Foreign Assets Control.

"Operative Documents" means collectively, the Investment Agreement, the Lease, the Guaranty, the Third Master Assignment and Acceptance, the Fourth Master Assignment and Acceptance, the Security Instrument and any and all other agreements or instruments now or hereafter executed and delivered, or required to be executed and delivered, by the Company or the Guarantor in connection with the Investment Agreement or the other Operative Documents, as such agreements or instruments may be amended, supplemented, renewed, extended, increased or otherwise modified from time to time.

"Option Date" has the meaning set forth in Section 15(c) of the Lease.

"Original Agency Agreement" means that certain Acquisition, Agency, Indemnity and Support Agreement, dated as of February 1, 2000, between Company and WCI, as Acquisition/Construction Agent, as the same has been amended, supplemented or otherwise modified from time to time prior to the date hereof.

"Original Ground Lease" means that certain Ground Lease dated as of February 1, 2000, between the Company and WCI, as the same has been assigned to Lessor and as the same has been amended and restated, pursuant to that certain Amended and Restated Ground Lease dated as of January 11, 2007.

"Original Guaranty Agreement" means that certain Guaranty dated as of February 1, 2000 executed and delivered by Guarantor in favor of WCI (for the ratable benefit of the Lease Participants), as the same was amended and restated pursuant to that certain Second Amendment and Restatement of Guaranty made as of January 11, 2007.

"Original Investment Agreement" means that certain Investment and Participation Agreement dated as of February 1, 2000, by and among the Company, WCI and each of the "Lease Participants" party thereto, as the same was amended and restated pursuant to that certain Second Amendment and Restatement of Investment and Participation Agreement dated as of January 11, 2007.

"Original Lease Agreement" means that certain Lease Agreement dated as of February 1, 2000, by and between the Company and WCI, as the same has been assigned to Lessor and amended and restated pursuant to that certain Amended and Restated Lease Agreement, dated January 11, 2007, between the Lessor and the Company.

"Original Lease Documents" means the Original Investment Agreement, the Original Ground Lease, the Original Lease Agreement, the Original Guaranty Agreement, and all other documents, instruments, and agreements entered into in connection with or pursuant to any of the foregoing before the Restatement Closing Date.

"Other Taxes" means all taxes (other than Taxes), assessments, levies, fees, water and sewer rents and charges, inspection fees and other authorization fees and all other governmental charges, general and special, ordinary and extraordinary, foreseen and unforeseen, of every character (including all penalties and interest thereon) and all recording fees and other charges (including penalties and interest) relating to or arising out of (i) the execution, delivery, recording or enforcement of any of the Operative Documents, whether for the amounts evidenced, secured or referred to be paid thereby, or otherwise, (ii) to the ownership, use, operation or transfer of the Facility or any other Property or (iii) any other event or circumstance, including without limitation, transfer taxes, documentary stamp taxes, intangible taxes, recording fees and sales, use and rent taxes.

"Other Transaction Expenses" has the meaning set forth in Section 3.05(a)(i) of the Investment Agreement.

"Ownership Certificate" has the meaning set forth in Section 2.01(b) of the Investment Agreement.

"Ownership Interests" means A Percentage Ownership Interests or B Percentage Ownership Interests, as applicable.

"Parcel Wall Agreement" has the meaning set forth in Section 7.02(b) of the Investment Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation or any successor thereto.

"Percentage Share" means as to any Lease Participant or the Lessor, its A Percentage Share or the B Percentage Share, as applicable.

"Performance Pricing Determination Date" means each date on which the Debt Rating changes.

"Permit" means any approval, consent, waiver, exemption, variance, franchise, order, permit, authorization, right or license of or from any Governmental Authority or other Person.

"Permitted Insurers" means insurers with ratings of A or better and Class VIII or better according to Best's Insurance Reports, or other insurers acceptable to the Lessor.

"Permitted Liens" means:

(i) with respect to the Lease or the Facility (including without limitation, the Site) or any Property included in or comprising the Facility or any portion thereof, any of the following:

(a) rights reserved to or vested in any Governmental Authority by the terms of any right, power, franchise, grant, license, permit or provision of law affecting the Facility to (A) terminate, or take any other action which has the effect of modifying, such right, power, franchise, grant, license, permit or provision of law, provided that such termination or other action, when taken, shall not have resulted in a Loss Event and shall not have had a Material Adverse Effect, or (B) purchase, condemn, appropriate or recapture, or designate a purchaser of, the Facility;

(b) any Liens thereon for Impositions or taxes and any Liens of mechanics, materialmen and laborers for work or services performed or materials furnished which (A) are not overdue, or (B) are being contested in good faith in the manner described in Section 13 of the Lease;

(c) rights reserved to or vested in any Governmental Authority to control or regulate the use of such Property or to use the Facility in any manner;

(d) in the case of the Site, encumbrances, easements, and other similar rights existing on the Restatement Closing Date the existence or exercise of which do not have a Material Adverse Effect; and

(e) any Liens created under the Operative Documents and any financing statements filed in connection therewith; and

(ii) with respect to any other Property, any of the following:

(a) Liens existing on the Restatement Closing Date securing Indebtedness outstanding on the Restatement Closing Date in an aggregate principal amount with respect to Indebtedness for borrowed money and capital leases not exceeding $3,000,000;

(b) any Lien existing on any asset of any (A) corporation or partnership at the time such corporation or such partnership becomes a Consolidated Subsidiary, or (B) Subsidiary at the time it becomes a Subsidiary, and in either case not created in contemplation of such event;

(c) any Lien on any asset securing Indebtedness incurred or assumed for the purpose of financing all or any part of the cost of constructing such asset, provided that such Lien attaches to such asset concurrently with or within eighteen (18) months after the completion of construction thereof;

(d) any Lien on any asset of any corporation existing at the time such corporation is merged or consolidated with or into the Company or the Guarantor or a Consolidated Subsidiary and not created in contemplation of such event;

(e) any Lien existing on any asset prior to the acquisition thereof by the Guarantor, the Company or another Consolidated Subsidiary and not created in contemplation of such acquisition;

(f) Liens securing Indebtedness owing by any Subsidiary to the Guarantor or the Company;

(g) any Lien arising out of the refinancing, extension, renewal or refunding of any Indebtedness secured by any Lien permitted by any of the foregoing clauses of this subsection (ii), provided that (A) such Indebtedness is not secured by any additional assets, and (B) the amount of such Indebtedness secured by any such Lien is not increased;

(h) Liens incidental to the conduct of the business of the Guarantor, the Company or any of the Subsidiaries or the ownership of their respective assets which (A) do not secure Indebtedness and (B) do not in the aggregate materially detract from the value of their respective assets or materially impair the use thereof in the operation of their respective businesses;

(i) any Lien on Margin Stock;

(j) Liens for Impositions or Taxes either not yet delinquent or which are being contested in good faith by appropriate proceedings;

(k) Liens not securing Indebtedness which are created by or relate to any legal proceedings which at the time are being contested in good faith by appropriate proceedings;

(l) any other statutory or inchoate Lien securing amounts other than Indebtedness which are not delinquent; and

(m) Liens not otherwise permitted by the foregoing paragraphs of this subsection (ii) securing Indebtedness and other obligations in an aggregate principal amount at any time outstanding not to exceed fifteen (15%) of Adjusted Consolidated Net Worth.

"Permitted Use" has the meaning set forth in Section 6 of the Lease.

"Person" means an individual, a corporation, a partnership, a limited liability company, an unincorporated association, a trust or any other entity or organization, including, but not limited to, a government or political subdivision or other Governmental Authority.

"Plan" means at any time an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code and is either (i) maintained by a member of the Controlled Group for employees of any member of the Controlled Group or (ii) maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group is then making or accruing an obligation to make contributions or has within the preceding five (5) plan years made contributions.

"Pricing Schedule" means the Pricing Schedule attached as Schedule 1.01(b) to the Investment Agreement.

"Prime Rate" means that rate of interest so denominated and set by the Administrative Agent from time to time as an interest rate basis for borrowings. The Prime Rate is but one of several interest rate bases used by Administrative Agent, and is set by the Administrative Agent as a general reference rate of interest, taking into account such factors as the Administrative Agent may deem appropriate, it being understood that many of the Administrative Agent's commercial or other loans are priced in relation to such rate, that it is not necessarily the lowest or best rate actually charged to any customer and that the Administrative Agent may make various commercial or other loans at rates of interest having no relationship to such rate.

"Property" means any kind of property or asset, whether real, personal or mixed, or tangible or intangible, and any interest therein.

"Purchase Closing Date" has the meaning set forth in Section 15(e) of the Lease.

"Purchase Price" means at any time of determination, an amount equal to the sum, as of the purchase date of (i) the aggregate amount of the Unrecovered Lessor Investments attributable to the A Percentage Lessor Investments, plus (ii) all accrued but unpaid A Percentage Yield through the end of the Lease Term, plus (iii) the aggregate amount of the Unrecovered Lessor Investments attributable to the B Percentage Lessor Investments, plus (iv) all accrued but unpaid B Percentage Yield through the end of the Lease Term, plus (v) all accrued, unpaid Supplemental Rent through the end of the Lease Term, plus (iv) all other amounts owing by the Company under the Operative Documents.

"Real Property" has the meaning set forth in Section 27(b) of the Lease.

"Redeemable Preferred Stock" of any Person means any preferred stock issued by such Person (i) required (by the terms of the governing instruments or at the option of the holder thereof) to be mandatorily redeemed for cash at any time prior to the Maturity Date (by sinking fund or similar payments or otherwise) or (ii) redeemable at the option of the holder thereof at any time prior to the Maturity Date.

"Register" has the meaning set forth in Section 11.06(e) of the Investment Agreement.

"Regulation A" means Regulation A of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Regulation D" means Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Regulation T" means Regulation T of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Regulation U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Regulation X" means Regulation X of the Board of Governors of the Federal Reserve System, as in effect from time to time, together with all official rulings and interpretations issued thereunder.

"Related Contract" means any agreement, contract, bill of sale, receipt or Vendor's warranty relating to or for the purchase, acquisition, design, engineering, testing, manufacture, renovation, assembly, construction or installation of the Facility or any portion thereof or the provision of enhancements and improvements to the Facility, or otherwise in connection with the acquisition, ownership, use, operation or sale or other disposition of the Facility, made, entered into or received by the Company, as Lessee under the Lease or as Lessor's agent, or by the Guarantor or the Company and assigned to the Lessor pursuant to the Original Agency Agreement or other Operative Document, with or from one or more Vendors or other Persons.

"Rent" means Basic Rent, Supplemental Rent and the Final Rent Payment, collectively.

"Rent Payment Date" means, with respect to Basic Rent for the first Rental Period, the Restatement Closing Date, and with respect to all other Rental Periods, it means the first day of each month following the month in which the applicable Rental Period occurs.

"Rental Period" means with respect to Basic Rent, the period beginning on the first day of a month and ending on the next earlier of the last day of such month or on the Lease Termination Date, provided however, the first Rental Period with respect to Basic Rent shall be the period beginning on the Lease Commencement Date and ending on the last day of the month in which the Restatement Closing Date occurs.

“Reported Net Income” means for any period, the Net Income of the Guarantor and the Consolidated Subsidiaries determined on a consolidated basis.

“Restatement Closing Date” means December 19, 2013.

“Restricted Payment” means (i) any dividend or other distribution on any shares of the Guarantor’s Capital Stock (except dividends payable solely in shares of its Capital Stock or additional rights to acquire its Capital Stock) or (ii) any payment on account of the purchase, redemption, retirement or acquisition of (a) any shares of the Guarantor’s Capital Stock (except shares acquired upon the conversion thereof into other shares of its Capital Stock) or (b) any option, warrant or other right to acquire shares of the Guarantor’s Capital Stock.

“Sanctioned Country” means a country subject to a sanctions program identified on the list maintained by OFAC and available at http://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx, or as otherwise published from time to time.

“Sanctioned Person” means (i) a Person named on the list of “Specially Designated Nationals and Blocked Persons” maintained by OFAC available at http://www.treasury.gov/resource-center/sanctions/SDN-List/Pages/default.aspx, or as otherwise published from time to time, (ii) a Person named on the lists maintained by the United Nations Security Council available at http://www.un.org/sc/committees/list_compend.shtml, or as otherwise published from time to time, (iii) a Person named on the lists maintained by the European Union available at http://eeas.europa.eu/cfsp/sanctions/consol-list_en.htm, or as otherwise published from time to time, (iv) a Person named on the lists maintained by Her Majesty’s Treasury available at http://www.hm-treasury.gov.uk/fin_sanctions_index.htm, or as otherwise published from time to time, or (v) (a) an agency of the government of a Sanctioned Country, (b) an organization controlled by a Sanctioned Country, or (c) a person resident in a Sanctioned Country, to the extent subject to a sanctions program administered by OFAC.

“S&P” means Standard & Poor’s Financial Services LLC, a subsidiary of The McGraw-Hill Corporation, together with its successors.

“SAP” means with respect to any Insurance Subsidiary, the statutory accounting practices prescribed or permitted by the insurance commissioner (or other similar authority) from time to time in the jurisdiction of incorporation of such Insurance Subsidiary for the preparation of annual statements and other financial reports by insurance companies of the same type as such Insurance Subsidiary.

“Scheduled Lease Termination Date” means the date that is five (5) years after the Lease Commencement Date.

“Secured Amount” has the meaning set forth in Section 26(b) of the Lease.

“Secured Party” has the meaning set forth in Section 26(a)(iv) of the Lease.

“Security Instruments” means collectively, the Lease and any and all agreements or instruments, including, without limitation, financing statements, now or hereafter executed and delivered by the Company as security for the payment or performance of the Secured Amount, as such agreements or instruments may be amended, supplemented or otherwise modified from time to time.

"Short-Term Indebtedness" means all Indebtedness that by its terms matures within one year from, and that is not renewable at the option of the obligor to a date later than one year after, the date such Indebtedness was incurred. Any Indebtedness which is extended or renewed (other than pursuant to the option of the obligor) shall be deemed to have been incurred at the date of such extension or renewal.

"Significant Insurance Subsidiary" means any Material Subsidiary that is an Insurance Subsidiary.

"Site" means that certain real property located in Jefferson County, Alabama, described in greater detail on Exhibit A to the Investment Agreement and the Lease.

"Sublessee" has the meaning set forth in Section 21(c) of the Lease.

"Subsidiary" means any corporation or other entity of which securities or other ownership interests having ordinary voting power to elect a majority of the board of directors or other persons performing similar functions are at the time directly or indirectly owned by the Guarantor. A separate account established pursuant to SAP or any applicable insurance regulatory requirement shall be deemed not to be a Subsidiary.

"Supplemental Rent" has the meaning set forth in Section 3(c) of the Lease.

"Support Expenses" has the meaning set forth in Section 8.30(l).

"Surplus Note" means a promissory note executed by an Insurance Subsidiary to the Guarantor of the type generally described in the insurance industry as a "surplus note", the principal amount of which is properly recorded by the issuer as an addition to capital and surplus rather than as a liability in accordance with SAP.

"Survey" means an ALTA-ACSM boundary survey of the Site and existing improvements in form and substance satisfactory to the Lessor, containing such certifications as the Lessor may request, and completed or certified as recently before the Restatement Closing Date as is satisfactory to the Lessor.

"Synthetic Lease Obligations" of a Person means the amount of the obligations of such Person under any lease that would not be shown as a liability, but would be treated as an operating lease, in accordance with GAAP, but which arise under a transaction in which the property subject to such lease is owned by the lessee for purposes of the Code. Obligations under the Lease are Synthetic Lease Obligations.

"Taxes" has the meaning set forth in Section 4.06(a) of the Investment Agreement.

"Termination Event" has the meaning set forth in Section 15(a) of the Lease.

"Termination Value" means at any time an amount equal to the sum of (i) the Final Rent Payment, plus (ii) the Unrecovered Lessor Investments attributable to the B Percentage Lessor Investments.

"Third Master Assignment and Acceptance" means that certain Master Assignment and Acceptance dated as of the Restatement Closing Date by and among the Lessor, the Administrative Agent, the Company, the Guarantor, SunTrust Bank, and Citibank, N.A., as the same may be amended, restated, supplemented, or otherwise modified from time to time.

"Third Party" means any Person other than (i) the Lessor, (ii) the Company, (iii) the Guarantor, or (iv) any Affiliate of any of the foregoing.

"Title Policy" means a policy of title insurance, including any endorsements deemed necessary by Lessor, issued to the Lessor insuring the leasehold interest of the Lessor in the Site and, in the event that the Lease is ever deemed to be a mortgage, as mortgagee of the Facility under the Lease.

"UCC" means the Uniform Commercial Code as in effect in the State of Alabama and any other jurisdiction whose laws may be mandatorily applicable.

"Unconsolidated Cash Inflow Available for Interest Expense" means for any period of calculation, the sum (without duplication) of (i) all amounts received by the Guarantor from the Subsidiaries during such period as (a) interest and principal on Indebtedness (including but not limited to Surplus Notes), provided however that interest and principal on Reserve Financing Notes purchased with the proceeds of senior notes of Guarantor which have been excluded from the definition of Indebtedness shall be excluded and (b) management fees (net of expenses incurred in providing the services for which such management fees were paid), (ii) all amounts that the Subsidiaries were permitted, under applicable laws and regulations, to distribute to the Guarantor during such period as dividends, whether or not so distributed, and (iii) other income of the Guarantor.

"Unrecovered Facility Cost" means, at any time, the sum of (i) the aggregate original Facility Cost, less (ii) the aggregate amount of any voluntary prepayments of Facility Cost and casualty and condemnation proceeds received by the Lessor.

"Unrecovered Lessor Investments" means at any time an amount equal to the Unrecovered Facility Cost at such time.

"Upfront Supplemental Rent" has the meaning set forth in Section 2.02(a) of the Investment Agreement.

"Vendor" means any designer, supplier, manufacturer or installer of, or provider of Property or services with respect to, the Facility or any Property included therein or any part thereof.

"Wholly Owned Subsidiary" means (i) any Subsidiary all of the outstanding voting securities of which shall at the time be owned or controlled, directly or indirectly, by Guarantor or one or more Wholly-Owned Subsidiaries of Guarantor, or (ii) any partnership, association, joint venture or similar business organization 100% of the ownership interests having ordinary voting power of which shall at the time be so owned or controlled. .

"Yield" has the meaning given such term in Section 3.03(a) of the Investment Agreement. Any unqualified reference to "Yield" shall mean a reference to A Percentage Yield or B Percentage Yield, or both, as the context shall require.

"Yield Period" means with respect to the Lessor Investments, each Rental Period; provided, however, that the duration of any Yield Period that commences before the Scheduled Lease Termination Date and would otherwise end after the Scheduled Lease Termination Date shall end on the Scheduled Lease Termination Date.

SCHEDULE 1.01(b)

Pricing Schedule

The terms "Applicable Margin" means, for any day, the rate per annum set forth below corresponding to the Pricing Level that applies on such day:

Pricing Level	Level I	Level II	Level III	Level IV	Level V
Applicable Margin:					
Adjusted LIBO Rate basis A & B Percentage Ownership Interests	1.0%	1.25%	1.375%	1.625%	1.875%
Adjusted LIBO Rate basis Lessor Equity Investment	2.0%	2.25%	2.375%	2.625%	2.875%
Base Rate A&B Percentage Ownership Interests	0.125%	.250%	.375%	.625%	.875%
Base Rate Lessor Equity Investment	1.125%	1.250%	1.375%	1.625%	1.875%

For purposes of this Pricing Schedule, the following terms have the following meanings:

"Level I Pricing" applies if the Debt Rating at the most recent Performance Pricing Determination Date was equal to or better than A or A2.

"Level II Pricing" applies if the Debt Rating at the most recent Performance Pricing Determination Date was equal to or better than A- or A3.

"Level III Pricing" applies if the Debt Rating at the most recent Performance Pricing Determination Date was equal to or better than BBB+ or Baa1.

"Level IV Pricing" applies if the Debt Rating at the most recent Performance Pricing Determination Date was equal to or better than BBB or Baa2.

"Level V Pricing" applies if the Debt Rating at the most recent Performance Pricing Determination Date was less than BBB or Baa2 or there is no applicable Debt Rating.

All determinations hereunder shall be made by the Lessor unless the Majority Funding Parties shall object to any such determination. The Guarantor shall promptly notify the Lessor of any change in the Debt Rating as required in the Operative Documents.

SCHEDULE 1.01(c)

Limited Recourse Events of Default

1. Any Event of Default under Section 9.01(b) is a Limited Recourse Event of Default to the extent such Event of Default occurred on account of any breach of any of the following representations and warranties (with certain exceptions as noted below; all Section references in this Schedule 1.01(c) are deemed to be references to the Investment Agreement, except to the extent otherwise expressly provided):

(a) The second sentence of Section 7.01(a);

(b) Section 7.01(b);

(c) Section 7.01(d);

(d) Section 7.01(e)(i);

(e) Section 7.01(f);

(f) Section 7.01(g), but only to the extent any breach does not relate to the payment of taxes relating to the Facility;

(g) Section 7.01(h);

(h) Section 7.01(i);

(i) Section 7.01(j), but only to the extent such breach does not relate to (i) the Company's title or interest in and to the Facility or (ii) Liens on the Site, the Facility, and any of the Collateral;

(j) Section 7.01(k), but only to the extent such breach does not relate to any agreement, instrument or undertaking respecting the Facility or the operation or maintenance thereof;

(k) Section 7.01(l), but only to the extent such breach does not relate to any information provided with respect to the Facility, the operation thereof, or the Company's use or maintenance of the Facility;

(l) Sections 7.01(m)(i), (ii), and (iii), but only to the extent such breach does not relate to the Facility; and

(m) Section 7.01(n); and

(n) Any representation and warranty covered by Section 9.01(b) but which is not set forth in Section 7.01 of the Investment Agreement, but only to the extent such breach (i) does not relate to the Facility, the operation thereof, the Company's use or maintenance thereof, or the enforceability of the Operative Documents and (ii) is not objectively determinable.

2. Any Event of Default under Section 9.01(c) or (d) is a Limited Recourse Event of Default to the extent such Event of Default occurred on account of any breach of any of the following covenants or agreements (with certain exceptions as noted below):

(a) Section 8.08(b), but only to the extent such breach does not relate to laws, regulations and similar requirements of governmental authorities applicable to the Facility, the operation thereof, or the Company's use or maintenance of the Facility;

(b) The second sentence of Section 8.10, but only to the extent such breach does not relate to the maintenance and preservation of the Facility;

(c) Section 8.11, but only to the extent such breach does not relate to Environmental Liabilities, pending or threatened Environmental Proceedings, Environmental Notices, Environmental Judgments and orders, and Environmental Releases concerning, in whole or in part, the Facility;

(d) Section 8.12, but only to the extent such breach does not relate to the use, production, manufacture, processing, treatment, recycling, generation, storage, disposal of, or management at, or otherwise handling, or shipping or transporting to or from the Facility;

(e) Section 8.13, but only to the extent such breach relates to an Environmental Release at or on the Facility;

(f) Section 8.14; and

(g) Any other covenant or agreement covered by Sections 9.01(c) or (d) but which is not set forth in Article VIII of the Investment Agreement, but only to the extent such breach (i) does not relate to the Facility, the operation thereof, the Company's use or maintenance thereof, or the enforceability of the Operative Documents and (ii) is not objectively determinable.

3. Any Event of Default under Section 9.01(n) is a Limited Recourse Event of Default.

All other Events of Default described in Section 9.01 of the Investment Agreement are not Limited Recourse Events of Default, even if the facts and circumstances giving rise to such Event of Default also cause such Event of Default to constitute, in part, a Limited Recourse Event of Default.

SCHEDULE 2.01(a)

Lease Participant Investments

Lease Participant:	A Percentage Lessor Investment:	B Percentage Lessor Investment:
Wachovia Development Corporation	$ 0.00	$ 3,750,000.00
Wells Fargo Bank, National Association	$ 0.00	$ 21,250,000.00
SunTrust Bank	$ 25,000,000.00	$ 0.00
Citibank, N.A.	$ 25,000,000.00	$ 0.00

SCHEDULE 7.01(e)

Litigation

None.

SCHEDULE 7.01(h)

Subsidiaries

None.

SCHEDULE 7.01(m)

Environmental Matters

The Company installed an above-ground storage tank on February 19, 1999 that holds diesel fuel for generators used to power the Facility.

Exhibit 10(l)

SECOND AMENDED AND RESTATED GUARANTY

THIS AMENDED AND RESTATED GUARANTY (this "Guaranty") is made as of December 19, 2013, by PROTECTIVE LIFE CORPORATION, a Delaware corporation (the "Guarantor"), in favor of Wachovia Development Corporation (the "Lessor"), for the ratable benefit of the Lessor and the Lease Participants (as defined below). Capitalized terms used but not defined herein have the meanings given to such terms in that certain Second Amended and Restated Investment and Participation Agreement dated as of the date hereof (as the same may be amended, restated, supplemented, or otherwise modified from time to time, the "Investment Agreement").

RECITALS

WHEREAS, pursuant to the Original Ground Lease, Wachovia Capital Investments, Inc. (" WCI") acquired a ground lease of certain real property located in Jefferson County, Alabama, and, pursuant to the Original Lease Documents, constructed and installed on the Site an annex office building and a related parking deck and related enhancements and improvements, including furniture, fixtures and equipment, all of which comprise the Facility; and

WHEREAS, pursuant to the Original Lease Documents, Protective Life Insurance Company (together with any successor or permitted assign under the terms of the Operative Documents, the "Company"), as agent for WCI under the Original Agency Agreement, completed the construction and installation of all such enhancements and improvements on the Site and agreed to provide operations, maintenance and management support for the Facility; and

WHEREAS, in order to finance the acquisition of WCI's ground lease of the Site and the construction of the Facility on the Site for the ultimate use and benefit of the Company in accordance with the Original Lease Agreement, the Company, WCI (as lessor) and certain "Lease Participants" entered into the Original Investment Agreement, whereby WCI, as lessor, made certain advances in an aggregate amount of $75,000,000 and the Lease Participants, among other things, made certain advances in exchange for Ownership Interests in the Facility; and

WHEREAS, to induce WCI and the Lease Participants to enter into the Original Investment and Participation Agreement and other Original Lease Documents, the Guarantor executed and delivered the Original Guaranty Agreement in favor of WCI (for the ratable benefit of the Lease Participants); and

WHEREAS, the Company, the Lessor and the Administrative Agent amended and restated the Original Investment Agreement and the Original Lease Documents on January 11, 2013 (the "2007 Agreements"), and, in connection therewith, WCI assigned 100% of its interest in the Original Lease Documents to Lessor pursuant to the terms of that certain Assignment and Assumption Agreement dated January 11, 2007; and

WHEREAS, to induce Lessor to enter into the 2007 Agreements, Guarantor amended and restated the Original Guaranty Agreement, in order to confirm and continue its guarantee of the obligations of the Company to the Lessor (for itself and for the ratable benefit of the Lease Participants) under the Operative Documents;

WHEREAS, the Company has requested to refinance and extend the maturity of the Lease Agreement by, among other things, amending and restating the Original Investment Agreement, the Original Ground Lease and the Original Lease Agreement;

WHEREAS, in connection therewith Guarantor has agreed to amend and restate the Original Guaranty Agreement to, among other things but subject to certain limitations, confirm and continue its guarantee of the obligations of the Company to the Lessor (for the ratable benefit of the Lease Participants);

NOW, THEREFORE, in consideration of the premises and the covenants and agreements herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Guarantor hereby agrees as follows:

Section 1. Incorporation of Representations, Warranties and Covenants. The representations, warranties and covenants of the Guarantor contained in Articles VII and VIII of the Investment Agreement are incorporated herein by reference, and the Guarantor shall be bound thereby as fully as if they were set forth herein.

Section 2. The Guaranty. The Guarantor, as primary obligor and not merely as surety, hereby irrevocably and unconditionally guarantees the full and punctual payment (whether at stated maturity, upon acceleration or otherwise) when due of all obligations of, and all amounts owing by, the Company (but not of the Lessor) under the Lease, the Investment Agreement, and all other Operative Documents, including, without limitation:

(a) all obligations to pay Rent, Impositions, Taxes, Other Taxes, Support Expenses, the Termination Value where the Company has not elected to acquire the Facility by payment of the Purchase Price upon the occurrence of a Cancellation Event, the Purchase Price where the Company elects to acquire the Facility, increased costs and compensation for reduced returns under Section 5.03 of the Investment Agreement, compensation under Section 5.05 of the Investment Agreement, expenses and indemnities under Section 11.03 of the Investment Agreement and all other terms and provisions of the Operative Documents and otherwise, and Yield or interest at the Default Rate in respect of overdue Rent, Yield and all other amounts owing or payable of whatever nature, and

(b) the full and punctual performance when due of all obligations and agreements of the Company to or in favor of the Lessor or the Lease Participants under the Lease, the Investment Agreement, and all other Operative Documents, including, without limitation, the Company's obligation to return the Facility to the Lessor in accordance with Section 16 of the Lease if the Company has not elected to acquire the Facility (all of the foregoing obligations in clauses (a) and (b) above being referred to collectively as the " Guaranteed Obligations"; provided, that notwithstanding anything herein to the contrary, if no Cancellation Event has occurred, and the Company has elected to pay the Final Rent Payment in accordance with Section 15(a)(ii)(B) of the Lease, the Company shall have no obligation to pay the Unrecovered Lessor Investments attributable to that portion of the B Percentage Lessor Investments which constitute the Non-Recourse Amount, which under such circumstances shall not constitute a part of the Guaranteed Obligations), and agrees to pay any and all expenses (including reasonable attorneys' fees and expenses) incurred by the Lessor, the Lease

Participants and their respective successors, transferees and assigns in enforcing any rights under this Guaranty. Without limiting the generality of the foregoing, the Guarantor's liability shall extend to all amounts that constitute part of the Guaranteed Obligations and would be owed by the Company to the Lessor or the Lease Participants but for the fact that they are unenforceable or not allowable due to the existence of a bankruptcy, reorganization or similar case or proceeding involving the Company. For purposes of determining when an obligation is " due" for purposes of this Guaranty, such term shall be interpreted to mean due in accordance with the terms of this Guaranty and without regard to the amendment, modification or rejection of any Guaranteed Obligation in any bankruptcy or other reorganization case or proceeding.

Section 3. Payments. Unless otherwise directed in writing by Lessor, Guarantor acknowledges and agrees that, in accordance with Section 10.02 of the Investment Agreement, all payments to be made by Guarantor hereunder shall be made directly to the Administrative Agent, on behalf of the Lessor and the Lease Participants, and the Administrative Agent, in turn, will apply all of such payments so made in accordance with the applicable terms of the Operative Documents. All such payments actually received by the Administrative Agent shall constitute constructive receipt thereof by the Lessor.

Section 4. Guaranty Unconditional. The Guarantor guarantees that the Guaranteed Obligations will be paid and performed strictly in accordance with their terms, regardless of any law, regulation or order now or hereafter in effect in any jurisdiction affecting any of such terms or the rights of the Company with respect thereto. The obligations of the Guarantor under this Guaranty are independent of the Guaranteed Obligations and a separate action or actions may be brought and prosecuted against the Guarantor to enforce this Guaranty, irrespective of whether any action is brought against the Company or any of its Affiliates or whether the Company or any of its Affiliates is joined in any such action or actions. The obligations of the Guarantor hereunder shall be irrevocable, unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by:

(a) any extension, renewal, settlement, compromise, waiver or release in respect of any obligation of the Company under the Lease, the Investment Agreement, or any other Operative Document, by operation of law or otherwise or any obligation of any other guarantor of any of the Guaranteed Obligations;

(b) any modification or amendment of or supplement to the Lease, the Investment Agreement, or any other Operative Document;

(c) any release, nonperfection or invalidity of any direct or indirect security for any obligation of the Company under the Lease, the Investment Agreement, any other Operative Document or any obligations of any other guarantor of any of the Guaranteed Obligations;

(d) any change in the corporate existence, structure or ownership of the Company, or any other guarantor of any of the Guaranteed Obligations, or any insolvency, bankruptcy, reorganization or other similar case or proceeding affecting the Company, or any other guarantor of the Guaranteed Obligations, or its assets or any resulting release or discharge of any obligation of the Company, or any other guarantor of any of the Guaranteed Obligations;

(e) the existence of any claim, set-off or other rights which the Guarantor may have at any time against the Company, any other guarantor of any of the Guaranteed Obligations, the Administrative Agent, the Lessor, any Lease Participant or any other Person, whether in connection herewith or any unrelated transactions, provided that nothing herein shall prevent the assertion of any such claim by separate suit or compulsory counterclaim;

(f) any invalidity or unenforceability relating to or against the Company, or any other guarantor of any of the Guaranteed Obligations, for any reason related to the Investment Agreement, any other Operative Document or any other guaranty of the Guaranteed Obligations, or any provision of applicable law or regulation purporting to prohibit the payment by the Company, or any other guarantor of the Guaranteed Obligations, of amounts due under the Lease or any other amount payable by the Company under the Investment Agreement, or any other Operative Document, or purporting to limit the claim of the Lessor against the Company under the Lease; or

(g) any other act or omission to act or delay of any kind by the Company, any other guarantor of the Guaranteed Obligations, the Lessor or any other Person or any other circumstance whatsoever which might, but for the provisions of this paragraph, constitute a legal or equitable discharge of the Guarantor's obligations hereunder, including, without limitation, any failure, omission, delay or inability on the part of the Lessor or the Lease Participants to enforce, assert or exercise any right, power or remedy conferred on the Lessor or the Lease Participants under the Lease, the Investment Agreement, or any other Operative Document.

Section 5. Discharge Only Upon Payment In Full; Reinstatement In Certain Circumstances. The Guarantor's obligations hereunder shall remain in full force and effect until all Guaranteed Obligations shall have been paid in full. If at any time any payment of Rent or Yield or any other amount payable by the Company under the Investment Agreement, or any other Operative Document is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of the Company or otherwise, the Guarantor's obligations hereunder with respect to such payment shall be reinstated as though such payment had been due but not made at such time.

Section 6. Waiver of Notice by the Guarantor. The Guarantor irrevocably waives acceptance hereof, presentment, demand, protest and, to the fullest extent permitted by law, any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against the Company, any other guarantor of the Guaranteed Obligations or any other Person. The Lessor shall, to the extent reasonably practicable, provide prior written notice to the Guarantor of any intentional action (or, in the case of an unintentional action, such notice shall be provided upon discovery thereof by the Lessor) taken by the Lessor referred to in Section 3; provided, however, that the failure to provide such notice shall not affect the Guarantor's obligations under this Guaranty.

Section 7. Stay of Acceleration. If acceleration of the time for payment of any amount payable by the Company under the Lease, the Investment Agreement or any other Operative Document is stayed upon the insolvency, bankruptcy or reorganization of the Company, all such amounts otherwise subject to acceleration under the terms of the Lease, the

Investment Agreement or any other Operative Document shall nonetheless be payable by the Guarantor hereunder forthwith on demand by the Lessor.

Section 8. Notices. Except as otherwise provided in Article II or Article V of the Investment Agreement, all notices and other communications provided for hereunder shall be in writing (including by telecopier and other readable communication) and mailed by certified mail, return receipt requested, telecopied or otherwise transmitted or delivered, for the Guarantor, at 2801 Highway 280 South, Birmingham, Alabama 35223, Attention: Lance Black, Telecopier: 205-268-3642, E-mail: lance.black@protective.com; if to the Lessor, at Wachovia Development Corporation, c/o Wells Fargo Securities, 550 South Tryon Street, Charlotte, North Carolina 28202, MAC D1086-051, Attention: Jack Altmeyer, Telecopier: 704-410-0233, E-mail: jack.altmeyer@wellsfargo.com, or, as to each party, at such other address as shall be designated by such party in a written notice to the other parties. All such notices and communications shall, if so mailed, telecopied or otherwise transmitted, be effective when received, if mailed, or when the appropriate answer back or other evidence of receipt is given, if telecopied or otherwise transmitted, respectively. A notice received by the Lessor (or the Administrative Agent on Lessor's behalf) by telephone pursuant to Article II or Article V of the Investment Agreement shall be effective if the Lessor (or, if to the Administrative Agent, the Administrative Agent) believes in good faith that it was given by an authorized representative of the Company and acts pursuant thereto, notwithstanding the absence of written confirmation or any contradictory provision thereof. In accordance with Section 10.02 of the Investment Agreement, Lessor and Guarantor agree that notice delivered by Guarantor to the Administrative Agent shall constitute constructive receipt thereof by Lessor and that notice delivered by the Administrative Agent shall constitute in all respects notice delivered by the Lessor.

Section 9. No Waivers. No failure or delay by the Lessor in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided in this Guaranty, the Lease, the Investment Agreement and the other Operative Documents shall be cumulative and shall not be exclusive of any other rights or remedies provided by law.

Section 10. Successors and Assigns; The Administrative Agent .

(a) This Guaranty is for the benefit of the Lessor and its successors and assigns, including the Lease Participants, to the extent of their Ownership Interests. This Guaranty may not be assigned by the Guarantor without the prior written consent of the Lessor and each Lease Participant and shall be binding upon the Guarantor and its successors and permitted assigns.

(b) In accordance with Section 10.02 of the Investment Agreement (which is hereby incorporated herein by this reference), Guarantor acknowledges and agrees that the Administrative Agent has been appointed to undertake, on Lessor's and, in certain cases, the Lease Participants' behalf, certain actions with respect to the administration of this Guaranty, the other Operative Documents, and the transactions contemplated herein and therein. Guarantor agrees to abide by the provisions of Section 10.02 of the Investment Agreement and other provisions in the Operative Documents in respect of the Administrative Agent's role and function in connection with the administration of the transactions contemplated therein, including, without limitation, the payment of the Guaranteed Obligations and other amounts owing under the Operative Documents directly to the Administrative Agent for the account of the Lessor and the Lease Participants, as applicable, the receipt and delivery of notices, reports, financial statements, and the like to the Administrative Agent on the Lessor's and the Lease Participants' behalf, and permitting, where applicable, the Administrative Agent to exercise, on the Lessor's and the Lease Participants' behalf, the rights and remedies afforded Lessor under the Operative Documents.

Section 11. Changes in Writing. Neither this Guaranty nor any provision hereof may be changed, waived, discharged or terminated orally, but only in writing signed by the Guarantor and the Lessor (with the consent of all of the Funding Parties).

Section 12. Governing Law; Submission To Jurisdiction.

(a) This Guaranty (including, but not limited to, the validity and enforceability hereof) shall be governed by, and construed in accordance with, the laws of the State of New York, other than the conflict of laws rules thereof (other than Section 5-1401 of the New York General Obligations Law).

(b) THE GUARANTOR HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY NEW YORK STATE OR FEDERAL COURT SITTING IN NEW YORK CITY AND ANY APPELLATE COURT FROM ANY THEREOF IN ANY ACTION OR PROCEEDING BY THE LESSOR IN RESPECT OF, BUT ONLY IN RESPECT OF, ANY CLAIMS OR CAUSES OF ACTION ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE OTHER OPERATIVE DOCUMENTS (SUCH CLAIMS AND CAUSES OF ACTION, COLLECTIVELY, BEING "PERMITTED CLAIMS"), AND THE GUARANTOR HEREBY IRREVOCABLY AGREES THAT ALL PERMITTED CLAIMS MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR IN SUCH FEDERAL COURT. THE GUARANTOR HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT IT MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY AFOREMENTIONED COURT IN RESPECT OF PERMITTED CLAIMS. THE GUARANTOR HEREBY IRREVOCABLY AGREES THAT SERVICE OF COPIES OF THE SUMMONS AND COMPLAINT AND ANY OTHER PROCESS WHICH MAY BE SERVED BY THE LESSOR IN ANY SUCH ACTION OR PROCEEDING IN ANY AFOREMENTIONED COURT IN RESPECT OF PERMITTED CLAIMS MAY BE MADE BY DELIVERING A COPY OF SUCH PROCESS TO THE GUARANTOR BY COURIER AND BY CERTIFIED MAIL (RETURN RECEIPT REQUESTED), FEES AND POSTAGE PREPAID, AT THE GUARANTOR'S ADDRESS DETERMINED PURSUANT TO SECTION 8. THE GUARANTOR AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW.

(c) Nothing in this Section 12 shall (i) affect the right of the Lessor to serve legal process in any other manner permitted by law or affect any right otherwise existing of the

Lessor to bring any action or proceeding against the Guarantor or its property in the courts of other jurisdictions or (ii) be deemed to be a general consent to jurisdiction in any particular court or a general waiver of any defense or a consent to jurisdiction of the courts expressly referred to in Subsection (a) above in any action or proceeding in respect of any claim or cause of action other than Permitted Claims.

Section 13. Taxes, Etc. All payments required to be made by the Guarantor hereunder shall be made without set-off or counterclaim and free and clear of, and without deduction or withholding for or on account of, any present or future taxes, levies, imposts, duties or other charges of whatsoever nature imposed by any government or any political or taxing authority as required pursuant to Section 4.06 of the Investment Agreement.

Section 14. Subrogation. The Guarantor hereby agrees that it will not exercise any rights which it may acquire by way of subrogation under this Guaranty, by any payment made hereunder or otherwise, unless and until all of the Guaranteed Obligations shall have been paid in full. If any amount shall be paid to the Guarantor on account of such subrogation rights at any time when all of the Guaranteed Obligations shall not have been paid in full, such amount shall be held in trust for the benefit of the Lessor and the Lease Participants and shall forthwith be paid to the Administrative Agent, for the Lessor's and the Lease Participants' account, to be credited and applied to the Guaranteed Obligations, whether matured or unmatured, in accordance with the terms of the Investment Agreement.

Section 15. Waiver of Jury Trial. Each of the Guarantor and the Lessor waives, to the fullest extent permitted by applicable law, any right to a trial by jury in any action or proceeding to enforce or to defend any rights under this Guaranty or any other Operative Document or under amendment, instrument, document or agreement delivered or which may in the future be delivered in connection herewith or therewith or arising from any relationship existing in connection with this Guaranty or any other Operative Document, and agrees that any such action or proceeding shall be tried before a court and not before a jury.

Section 16. Right of Set-Off. Guarantor agrees that, upon the occurrence of an Event of Default under the Investment Agreement, each Funding Party and the Administrative Agent, and each of their respective Affiliates, is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Funding Party, Administrative Agent, or Affiliate to or for the credit or the account of Guarantor against any and all of the Guaranteed Obligations now or hereafter existing under this Guaranty held as part of its Ownership Interests by such Funding Party, Administrative Agent, or Affiliate, irrespective of whether or not such Funding Party, Administrative Agent, or Affiliate shall have made any demand under this Guaranty and although such obligations may be unmatured. Each Funding Party (for itself and on behalf of its Affiliates) and the Administrative Agent (for itself and on behalf of its Affiliates), as applicable, agrees promptly to notify Guarantor after any such set-off and application, provided that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Funding Party, the Administrative Agent, and such Affiliates under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the same may have. All amounts received by any Funding Party, the Administrative Agent, or any such Affiliate pursuant to this Section shall be shared with the other Funding Parties pursuant to Section 4.02 of the Investment Agreement.

Section 17. Amendment and Restatement. This Guaranty constitutes an amendment and restatement of the Original Guaranty Agreement, and no novation of the obligations of Guarantor under the Original Guaranty Agreement shall be deemed to have occurred. Guarantor ratifies and reaffirms its guarantee obligations in light of the amendments and restatements to the Operative Documents entered into contemporaneously herewith.

[Signature on following page.]

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be duly executed, under seal, by its authorized officer as of the date first above written.

PROTECTIVE LIFE CORPORATION,
a Delaware corporation

By: ______________________
Name: ______________________
Title: ______________________

CONSOLIDATED EARNINGS RATIOS

The following table sets forth, for the years ended, Protective Life Corporation's (the "Company") ratios of:

- Consolidated earnings to fixed charges.
- Consolidated earnings to fixed charges before interest credited on investment products.

	For The Year Ended December 31, 2013	2012	2011	2010	2009
Ratio of Consolidated Earnings to Fixed Charges (1)	1.6	1.4	1.4	1.3	1.3
Ratio of Consolidated Earnings to Fixed Charges Before Interest Credited on Investment Products (2)	4.4	3.8	3.9	3.2	4.3

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(1) The Company calculates the ratio of "Consolidated Earnings to Fixed Charges" by dividing the sum of income from continuing operations before income tax (BT), interest expense (which includes an estimate of the interest component of operating lease expense) (I) and interest credited on investment products (IP) by the sum of interest expense (I) and interest credited on investment products (IP). The formula for this ratio is: (BT+I+IP)/(I+IP). The Company continues to sell investment products that credit interest to the contract holder. Investment products include products such as guaranteed investment contracts, annuities, and variable universal life interest credited insurance policies. The inclusion of interest credited on investment products results in a negative impact on the ratio of earnings to fixed charges because the effect of increases in interest credited to contract holders more than offsets the effect of the increase in earnings.

(2) The Company calculates the ratio of "Consolidated Earnings to Fixed Charges Before Interest Credited on Investment Products" by dividing the sum of income (loss) from continuing operations before income tax (BT) and interest expense (I) by interest expense (I). The formula for this calculation, therefore, would be: (BT+I)/I.

COMPUTATION OF CONSOLIDATED EARNINGS RATIOS

	For The Year Ended December 31, 2013	2012	2011	2010	2009
	(Dollars In Thousands, Except Ratio Data)				
Computation of Ratio of Consolidated Earnings to Fixed Charges					
Income from Continuing Operations before Income Tax	$ 590,373	$ 452,971	$ 470,476	$ 334,772	$ 382,185
Add Interest Expense(1)	173,610	162,641	161,346	153,330	116,290
Add Interest Credited on Investment Products	875,180	962,678	993,574	972,806	993,245
Earnings before Interest, Interest Credited on Investment Products and Taxes	$ 1,639,163	$ 1,578,290	$ 1,625,396	$ 1,460,908	$ 1,491,720
Earnings before Interest, Interest Credited on Investment Products and Taxes Divided by Interest expense and Interest Credited on Investment Products	1.6	1.4	1.4	1.3	1.3
Computation of Ratio of Consolidated Earnings to Fixed Charges Before Interest Credited on Investment Products					
Income from Continuing Operations before Income Tax	$ 590,373	$ 452,971	$ 470,476	$ 334,772	$ 382,185
Add Interest Expense(1)	173,610	162,641	161,346	153,330	116,290
Earnings before Interest and Taxes	$ 763,983	$ 615,612	$ 631,822	$ 488,102	$ 498,475
Earnings before Interest and Taxes Divided by Interest Expense	4.4	3.8	3.9	3.2	4.3

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(1) Interest expense primarily consists of interest on debt, subordinated debt securities, non-recourse funding obligations, and imputed interest on operating leases.

Code of Business Conduct

for

Protective Life Corporation

and all of its subsidiaries, including
Protective Life Insurance Company
West Coast Life Insurance Company
Protective Life & Annuity Insurance Company
Lyndon Property Insurance Company
ProEquities, Inc.
First Protective Insurance Group

Revised May 22, 2013

You have a responsibility to report any suspected violations of this Code. A suspected violation could be a situation that you observe or a situation that is brought to your attention by someone else.

Suspected violations must be reported promptly to at least one of the following:

- The Human Resources Compliance Officer, Melanie McNary (in the Human Resources Department) at (205) 268-6136 or melanie.mcnary@protective.com
- The Chief Compliance Officer, Steve Callaway (in the Legal Department) at (205) 268- 3804 or steve.callaway@protective.com
- The General Counsel, Debbie Long (in the Legal Department) at (205) 268-3700 or debbie.long@protective.com
- The Chief Human Resources Officer, Scott Adams (in the Human Resources Department) at (205) 268-4452 or scott.adams@protective.com
- The Code of Business Conduct telephone hotline at (205) 268-CODE (2633) or (800) 421-3564 (*You may communicate to the telephone hotlines anonymously.*)
- The Code of Business Conduct email hotline at hotline@protective.com (*You may communicate to the email hotline anonymously.*)

Table of Contents

Our Values

Throughout our Company's history, our mission has remained boldly alive in our name. We are Protective. We are committed to tearing down the barriers that prevent so many people from enjoying the peace of mind and satisfaction that come from taking care of their future financial needs and the needs of those who depend on them. This is our purpose. This will be our legacy.

Four core values guide us in all that we do: Do the Right Thing, Serve People, Build Trust, and Simplify Everything. We serve with integrity and honesty, treating each of our customers the way we would like to be treated.

Each of us is responsible for the integrity of the Company, and each of us must be willing to raise ethical concerns. People in management positions have a special responsibility to demonstrate high ethical standards and to create an environment that requires ethical behavior.

This Code is intended to assist us in making the right choices. These same rules apply to everyone in the Company: employees, senior management and our Board of Directors.

However, these guidelines do not cover every situation. You should be guided by the spirit of the guidelines as well as the language, and you should get help whenever you are in doubt.

Remember, the accomplishment of the Company's mission and the fulfillment of the Company's commitment to all those we serve are dependent on each of us applying high ethical standards to whatever we do for the Company.

A Statement of Our Ethical Principles

- We will deal fairly and honestly with all people and treat each as we would expect each to treat us if the situation were reversed.
- We will trust and respect each other and maintain an environment where people may question a Company practice without fear.
- We will respect the dignity of each individual.
- We will not pursue any business opportunity in violation of the law or these principles.
- We will undertake only those business activities that will withstand public ethical scrutiny and our own standards of integrity.
- We will disclose any conflict of interest we may have regarding our responsibilities to the Company and remove the conflict where required.

A Statement of Our Principles of Ethical Market Conduct

In addition to the Company's ethical principles, we fully support the following principles of ethical market conduct:

- We will conduct business according to high standards of honesty and fairness and will render that service to our customers which, in the same circumstances, we would apply to or demand for ourselves.
- We will provide competent and customer-focused sales and service.
- We will engage in active and fair competition.
- We will provide advertising and sales materials that are clear as to purpose and honest and fair as to content.
- We will provide for fair and expeditious handling of customer complaints and disputes.
- We will maintain a system of supervision and review that is reasonably designed to achieve compliance with these principles of ethical market conduct.

Obtaining Guidance About Ethical Concerns

We all share a responsibility for the Company's integrity and reputation. It may take courage to raise an ethical issue; however, our Company expects this of you, considers it an important responsibility of yours, and our management will support you in carrying out your responsibility.

When you have an ethical concern, the best thing to do is to discuss it with your manager or any other appropriate person in the Company. The doors of the Legal Department and the Human Resources Department are always open to you.

Exceptions

No set of guidelines, including this Code, can cover all the situations you may encounter, and there may be situations in which exceptions are appropriate. If you encounter a situation where the application of a rule or principle contained in this Code seems inappropriate, talk to your manager about it. Your manager can consult with the appropriate approval authority to determine if an exception is in order. In case of doubt as to approval authority, the Legal Department should be consulted.

Compliance and Speaking Up

Compliance with the Code

Compliance with this Code is essential to being true to our Company's vision and values. The Company will insist on compliance. You are responsible for understanding and complying with these requirements. Your manager is responsible for assisting you.

Individual Judgment and Questions to Ask Yourself

Even though this Code provides you with general guidance and your manager and the Legal Department are available to help you, you ultimately must depend on your own individual judgment in deciding on the correct course of action. As you consider a particular situation, ask yourself these questions:

- Is my action consistent with approved Company practices?
- Is my action consistent with the Company's preeminent values?
- Does my action avoid any appearance of impropriety?
- Can my actions withstand the light of day?
- Can I in good conscience defend my action to my supervisor, to other employees, and to the general public?
- Does my action meet my personal code of behavior?
- Does my action conform to the spirit of these guidelines?
- Is my action the "right thing" to do?

If the answer to any of these questions is "no," you should reconsider your course of action or seek guidance from your manager, the Legal Department or the Human Resources Department before you act.

Be careful about substituting collective judgment for your individual judgment. Ask yourself: "What specifically am I being asked to do? Does it seem unethical or improper?" Use your good judgment and common sense. If something would seem unethical or improper to a reasonable person, it probably is.

Speak Up and Report Suspected Violations

You have a responsibility to speak up and report any suspected violations of this Code. A suspected violation could be a situation that you observe or a situation that is brought to your attention by someone else. If you aren't sure whether a situation rises to the level of a Code violation, talk to your manager or to one of the people listed below. If you report an action to your manager and suspect that it may be a Code violation, you should make sure that you or your manager report it to one of the appropriate contacts for Code violations.

Suspected violations must be reported promptly to at least one of the following:

- The Human Resources Compliance Officer, Melanie McNary (in the Human Resources Department) at (205) 268-6136 or melanie.mcnary@protective.com

- The Chief Compliance Officer, Steve Callaway (in the Legal Department) at (205) 268- 3804 or steve.callaway@protective.com

- The General Counsel, Debbie Long (in the Legal Department) at (205) 268-3700 or debbie.long@protective.com

- The Chief Human Resources Officer, Scott Adams (in the Human Resources Department) at (205) 268-4452 or scott.adams@protective.com

- The Code of Business Conduct telephone hotline at (205) 268-CODE (2633) or (800) 421-3564 (*You may communicate to the telephone hotlines anonymously.*)

- The Code of Business Conduct email hotline at hotline@protective.com (*You may communicate to the email hotline anonymously.*)

No employee will suffer any adverse action, retribution or career disadvantage for questioning a Company practice or for making a good faith report of a suspected violation of this Code or other irregularity. The Company will investigate possible violations. In doing so, we will respect the interests of all parties concerned. If requested, the identity of employees reporting suspected violations will be kept confidential unless we are required to reveal it to conduct an adequate investigation, to enforce these guidelines or to comply with applicable law or judicial process.

After reporting a suspected violation, an employee is expected to cooperate with the persons investigating the situation (the “Investigative Team” or “Team”). In most cases, that means that the reporting employee will respond promptly to requests of the Investigative Team, if the Team has any requests. In most cases, an employee’s role in relation to the suspected violation will have been fulfilled by reporting it and responding to the Team’s requests.

The reporting employee should not expect or consider himself or herself to be a part of the Investigative Team. The Team will determine the appropriate method for carrying out the investigation, and the appropriate communications about the investigation, including any communications with the employee who reported the suspected violation.

Penalty for Violations

Those who violate the standards in this Code will be subject to disciplinary action up to and including termination of employment.

Waivers of the Code of Business Conduct

Any waiver of the Code for executive officers or directors may be made only by the Company’s Board of Directors or a committee of the Board and will be promptly disclosed as required by law or stock exchange regulation.

Conducting the Company’s Business

Business Relationships

In conducting the Company’s business, we deal with a variety of people and organizations, including other employees, customers, suppliers, competitors, community representatives and the investment community.

- Our relationships are business relationships and should be based on our Company’s long-term business interests. While we may develop friendships or other relationships with those with whom we deal, our dealings with others should reflect our Company’s best interest.

- All of our business relationships should be based on honesty and fairness.

- We want long-term, mutually beneficial business relationships, and trustworthiness is essential to establish and keep them.

- We will be truthful. If there is a mistake or misunderstanding, we will correct it immediately.

From time to time, we may enter into relationships with other businesses to pursue opportunities. We must have confidence that the businesses with whom we work will conduct their activities ethically and in compliance with all applicable legal and regulatory requirements.

Dealing with Each Other

Basic to our relationship with each other is the recognition of the value and worth of each individual and the necessity to provide a working climate that is protective and supportive of the well-being of all employees.

- We are committed to providing opportunity to our employees; we will employ and promote those employees who are best qualified for the job. See the Equal Employment Opportunity Policy in the Employee Handbook.

- We will listen carefully and value the opinions and experience of employees and respect their diverse backgrounds, cultures, religions, experiences and beliefs.

- We will provide protection to all employees or applicants for employment against sexual or other harassment. The full text of the Company's Harassment Prevention Policy is included in the Employee Handbook.

- Applicants for employment and employees will be evaluated for employment and promotion on a non-discriminatory basis.

Dealing with Customers

Serving customers is the focal point of our business. Satisfying customers is the only way to ensure business success.

- We must work with customers to understand and anticipate their needs and to identify and remove obstacles customers may see in doing business with us.

- We must accurately represent our products and services in our marketing, advertising and sales efforts.

- We need to respond promptly and courteously to our customers and investigate and resolve customer complaints.

- We seek to provide high quality products and services. We should evaluate customer satisfaction and continuously improve our quality.

Dealing with Producers and Agents

Our producers and agents are an essential link in providing quality products and services to our customers.

- We must select agents that share our values and our commitment to quality.

- We desire to form lasting relationships with our agents — relationships based not just on production, but also on compatible philosophies and attitudes.

Dealing with Suppliers

Prospective suppliers will have a chance to compete fairly for our business.

- We will select suppliers based on high quality product, service and value.

- We want long-term relationships with our suppliers.

Dealing with Regulators

Our business is highly regulated. Our regulators have a responsibility to the public; to the extent our regulators perform their jobs well, we and other good companies benefit.

- We will always respond to and cooperate with regulatory authorities. If a regulator contacts you and you are not the designated employee responsible for dealing with that regulator, you should courteously assist the regulator in reaching the appropriate employee.

- To avoid confusion, only certain employees are designated to represent the Company when communicating with regulators. If you are not a designated employee, you should refer any inquiry from a regulator to one of the employees in your division that is so designated. If you have questions about who is so designated, you should call the Legal Department about the types of communication you engage in with regulators.

- Regulators are government officials. All of the rules regarding our interactions with government officials apply to regulators.

Dealing with Government Officials and Employees

Federal, state, local and foreign governments have varying and complicated laws dealing with prohibitions and restrictions on interaction with officials and employees, fundraising activities and gifts to officials and employees. There are even more restrictive rules for certain people — brokers, dealers, investment advisers and anyone who "lobbies." Because of the complexity of these laws, and the fact that they frequently change, the following sections will inform you about several situations you may face:

Doing Business with Any Government

To protect the public interest, the federal and some state and local governments have enacted laws and regulations that must be met by private contractors. These laws and regulations are often harsh and impose strict requirements on contractors that are significantly different and more extensive than those we encounter in our commercial contracts. In many instances, violation can result in criminal sanctions, meaning the employee can be individually liable.

Since these laws involve the public trust and their violation often involves criminal sanctions, it is essential that there be strict compliance with all laws and regulations — in both spirit and letter — in transacting business with the government.

In conducting government business, it is essential that the terms of the contract with the government be strictly complied with and no deviations or substitutions be made without the written approval of the contracting officer or other authorized representative.

Additionally, there are laws and regulations governing ethics and campaign contributions for some individuals who conduct regular business with government entities—for example, brokers, dealers and investment advisers. These people also must comply with any ethics rules which apply to these interactions.

Interaction with Government Officials and Employees

Federal, state, local and foreign governments have varying and complicated laws governing interaction with government officials and employees, some of which prohibit or severely restrict you from providing any meals, gratuities or entertainment to its employees. Federal, state and foreign governments have ethics codes strictly regulating what is permitted in gifts, meals and entertainment. If you are dealing with a governmental entity, you must learn and comply with the policy of that governmental entity. You should not provide any gifts, meals, entertainment or other amenities to any government employee or an employee of a government-related entity without first reviewing the matter with our Legal Department. A gift can include anything, unless it is of no value. You also should not try to influence official action on behalf of the Company unless your activity has been pre-cleared by the Legal Department. These laws frequently change, so you should periodically update the advice you have received on a previous occasion. In many instances, violators of these laws are subject to criminal penalties

If you anticipate doing business with a government, government-related entity (including regulators) or lobbyist, it is your responsibility to learn the applicable law. If you have questions, you should call the Legal Department.

You should not directly or indirectly offer, make, or solicit inappropriate payments or contributions to try to influence any government official or other official person to take action, fail to take action, or give an advantage over another person or business. This includes domestic or foreign officials, political parties, party officials, candidates, legislators or regulators.

It is important to be aware that certain activity is defined by the federal and state governments as “lobbying.” If you are lobbying, or you are a lobbyist, there are many requirements and restrictions which apply to both you and the Company. Definitions vary among jurisdictions, but “lobbying” generally is the practice of promoting, opposing, or influencing legislation, regulation, or official action at any level of government. It is the policy of the Company that only certain people, working through the Legal Department, may engage in this activity on behalf of the Company. If you are concerned that your activity might be lobbying, please contact the Legal Department.

Violations of ethics and lobbying laws are criminal actions which can carry with them fines and jail time. If you have questions, please contact the Legal Department.

For more information, please review the Government Affairs Guidelines located on PRISM.

Political Contributions, Political Fundraising and Political Activity at Work

The employees and directors of the Company may participate in the Protective Life Corporation Federal Political Action Committee and/or the Protective Life Corporation State Political Action Committee. Except in cases reviewed by the Legal Department and approved by the Chief Executive Officer, Company resources shall not be used to support political parties, political causes or candidates.

- Individual employees are encouraged to support their own parties, political causes and candidates, but they must do so on their own time and not use Company resources

- If a planned contribution, whether traditional or in-kind, could in any way be looked upon as involving Company funds, property or services, the Legal Department should be consulted.

- If you work in an area (e.g. brokers, dealers and investment advisers) that has restrictions on political contributions, make sure you understand your department rules for contributions, and call the Legal Department if you have any questions.

Employees of the Company are welcome to run for office or be appointed as a government official. To ensure there are no conflicts or potential violations of the ethics laws, you should contact the Legal Department to review any potential appointment or candidacy.

For more information, please review the Government Affairs Guidelines located on PRISM.

Dealing with Auditors

Our business is heavily dependent on the accuracy of our financial and accounting information. The public relies on the role of our independent public accountants in auditing this information. You may not take any action to influence, coerce or manipulate the Company or its subsidiaries’ independent public accountants for the purpose of rendering the financial statements of the Company misleading.

Dealing with News Media, Investors or the Public

Contact with news media and the investment community, and any public discussion of Company business and products, should only be made through one of the Company's authorized spokespersons.

If you are questioned by news reporters or investment analysts you should refer them to the appropriate Company Media Contact Person. For details about the appropriate person to contact regarding media or other Company-related communications, see the Company's Policy on Communications with News Media in the Employee Handbook. Failure to observe this policy can cause tremendous harm to the Company and spread misinformation. We must exercise particular care when considering release of information of a sensitive or material nature, the disclosure of which could influence the judgment of investors to buy, sell or hold Company securities.

Dealing with Adverse Parties

We are committed to conducting our business with honesty and integrity. That commitment also extends to situations in which we find ourselves in an adversarial relationship with another party, such as a lawsuit or other dispute. It is important that communications in these situations be handled by the appropriate people who are authorized to communicate on behalf of the Company. For example, if an attorney who does not represent the Company contacts you about something other than an ordinary, non-adversarial matter, you should immediately — before communicating with that attorney — contact the Company's Legal Department for instructions.

Avoiding Conflicts of Interest

Your Private Interests

You are expected to avoid situations where your private interests or the private interests of your loved ones conflict with the Company's interests.

- You must disclose any potential conflict of interest to your manager so it can be resolved. "Potential conflicts of interest" include business or personal relationships with customers, suppliers, agents, employees or competitors or any other person or entity with whom the Company does business.

- You should not have any business or financial relationship with customers, suppliers or competitors that could influence or appear to influence you in carrying out your responsibilities. This would include the ownership of stock in these companies. However, ownership of a nominal amount of stock in a publicly owned company would not be considered a conflict unless the amount was large enough to influence you.

- You may not market products or services that compete with ours. Nor may you work for a competitor, customer or supplier as an employee, consultant or member of its board of directors without written approval of the Chief Executive Officer or the Board of Directors.

- "Suppliers" include any person or entity which furnishes goods or services to the Company. For example, "suppliers" would include re-insurers, printers, bankers, law firms, marketers, lobbying firms and entities from or through which the Company purchases advertising.

- If you are not sure if your situation or relationship with another organization might conflict with your job performance or our Company's interests, you should discuss it with your manager. Most potential conflict situations are readily resolved and it is always best for you to raise your concern.

Gifts, Meals and Entertainment

Except when dealing with representatives of a government or government-related entity (see "Dealing with Government Officials and Employees"), you may receive or give customary business amenities such as meals, provided they are associated with a business purpose, reasonable in cost, appropriate as to time and place and would not give the appearance of improperly influencing the recipient. Excessive gifts and entertainment (given or received) are inherently compromising and do not belong in our business relationships.

You may not give or receive gifts, meals or entertainment to or from anyone in relation to Company business unless:

- They are of limited value, do not influence or give the appearance of influencing the recipient and cannot be viewed as a bribe, kickback or payoff.

- They do not violate any law or generally accepted ethical standards including the standards of the recipient's organization.

- They can withstand public ethical review.

Under no circumstances may you give money to, or receive money from, a customer or a supplier. You are to courteously decline or return any kind of gift, favor or offer of excessive entertainment which violates these guidelines and inform the person making the offer of our policy.

Corporate Opportunity

You are prohibited from taking for yourself personally opportunities that are discovered through the use of Company property, information or position without the consent of the Chief Executive Officer or the Board of Directors. You may not use Company property, information or position for improper personal gain, and you may not compete with the Company directly or indirectly. You owe a duty to the Company to advance its legitimate interests when the opportunity to do so arises. Your work product belongs solely to the Company.

Disparagement

No one should ever make false, misleading or disparaging remarks about individuals or organizations or their products and services.

- Do not disparage our competitors or their products or employees. We should sell our products and services on their merits.

- If you make comparisons between our products and those of a competitor, they should be relevant, accurate, factual and up-to-date.

Industrial Espionage

You may not engage in industrial espionage or acquire information about other companies through improper means. You have a responsibility not to steal or misuse the intellectual property of any supplier, customer, business partner or competitor.

We regularly acquire information about other companies in conducting our business. This is acceptable when this information is properly acquired. Proper sources would include information that is published or in the public domain or that is lawfully received from the owner or an authorized third party.

Examples of improper means of acquiring information are:

- Receiving from a third party information that was illegally or improperly acquired by the third party.

- Receiving confidential information of a company from present or former employees who are unauthorized to disclose it.

If you are offered proprietary information under suspicious circumstances, you should immediately consult our Legal Department. If you come into possession of information from another company that is marked confidential, or that you believe is confidential, you should consult our Legal Department if you have any questions regarding the proper authorization of your possession.

Prevention of Fraud

Every employee has an obligation to act to detect, deter and prevent fraud. If you discover facts that may indicate fraudulent activity, you must report the discovery immediately. For example, if you discover a document that appears to be a fake, you should report it immediately.

Safeguarding Company Property

Each of us is responsible for protecting Company property. The Company's property includes your work product, the Company's trade secrets, technology and proprietary information as well as physical property. The property and services of the Company are to be used solely for the benefit of the Company and should be used only as authorized by the Company. Managers are responsible for setting up and keeping good controls to protect the Company from loss or unauthorized or unlawful use of its property or services. Each of us is responsible for assisting in preventing waste and theft and assuring the integrity of the controls.

Keeping Information Confidential

The Company regularly develops private or proprietary information that is very valuable to the Company. Examples of this type of information are the Company's customer lists, materials developed for in-house use, administrative and product development processes, business plans, pricing strategies and any formulas, devices and compilations of information that give the Company a competitive advantage. The Company also regularly receives non-public information from those with whom we do business. Examples of these types of information are the information we receive from our customers, agents, administrators, suppliers and business partners.

Any of this information may be considered the Company's property, which we have a duty to protect. We may also be subject to laws and regulations that require us to safeguard this information, such as the laws and regulations that require us to protect customer information. Additionally, we may have agreements that spell out our obligations for using and protecting the information, such as our customers' authorizations for medical information or confidentiality agreements we have with our agents and suppliers.

In connection with your activities on behalf of the Company, you may have access to and become knowledgeable about information that is confidential, private or proprietary. You must protect the confidentiality and privacy of that information.

- You may only use or disclose confidential, private or proprietary information for Company purposes; you may not use or disclose it for personal benefit or for the benefit of competing interests.
- To preserve confidentiality, you should only disclose confidential information to those who have a need to know. If you share confidential information with an employee, you should tell the employee that the information is confidential.
- You must limit your use of confidential, private or proprietary information to what is authorized by any agreement relating to the information or, if there is no express agreement, to what is impliedly authorized.

Your responsibility to keep information confidential continues after you leave employment with the Company.

Use of Software

One form of intellectual property we acquire is computer software. In addition to being copyrighted, computer software programs are usually subject to license agreements. These agreements restrict the Company's use (and, therefore, your use) of the software. For example, a license may prohibit copying of the programs and restrict its use to a specified computer.

- You should understand the limitations on the use and copying of any software. If you have questions, you should contact the Information Security Officer (Tim Searcy, ext. 5289).
- You should not copy software, use it on a different computer or give it to a third party unless you have confirmed that the license agreement permits such copying or use.
- Any authorized copies shall contain the proper copyright and other required notices of the vendor.
- To protect the integrity of our computer systems, you should not access or execute any downloaded software unless you have confirmed that the appropriate licenses have been obtained and the software has been scanned for viruses.

Use of Company Systems and Devices (*use is not private*)

The Company's systems and devices such as telephones, voice mail, email, smartphones, Intranet and Internet access (both wired and wireless), and desktop and laptop computers are intended to be used for the Company's business. The Company recognizes that it is sometimes acceptable for employees to use these systems or devices for lawful personal purposes. You should, however, keep such use to a minimum and remember that such use is not private.

We will respect the privacy of each of our employees. Our work on behalf of the Company, however, is not private; it belongs to the Company. The Company reserves the right to access communications within its systems or on its devices. The Company may monitor, intercept or record communications such as telephone calls, electronic communications including email, instant messages, text messages and Intranet or Internet access as it deems necessary or appropriate to ensure customer satisfaction, to improve quality, to guard against inappropriate uses and, in rare cases, to guard against unlawful uses.

An employee should not attempt to access another employee's communications without the other employee's permission or other appropriate authorization. The Legal Department should be consulted for guidance on the appropriate authorization for accessing employee communications. If communications are monitored, steps should be taken to discontinue monitoring if the communications are determined to be personal, lawful and appropriate under this Code.

Accurate Records, Reporting and Disclosure

Company records must reflect an accurate and verifiable record of all transactions and disposition of assets. We have internal accounting controls, including controls to limit transactions to those which are properly authorized and to promote both accountability for assets and reporting accuracy.

It is our responsibility to ensure that documents filed with or submitted to the Securities and Exchange Commission and other regulators or other public communications by the Company and its subsidiaries contain full, fair, accurate, timely and understandable disclosure.

- Information that you record and submit to another party, whether inside or outside our Company, must be accurate, timely and complete. It should honestly reflect the transaction or material.

- Like all Company employees, financial officers and employees must understand and apply the rules and regulations applicable to their job duties. In case of financial employees, this includes all laws, rules, regulations and accounting principles involved in accounting for transactions of the Company.

Accounting and Auditing Matters

The integrity of our financial reports is essential, and we intend to comply with all financial reporting and accounting regulations applicable to the Company. If you have concerns or complaints regarding questionable accounting or auditing matters of the Company, you must submit those concerns or complaints to the General Counsel. The term "questionable accounting or auditing matters" includes:

- fraud or deliberate error in the preparation, evaluation, review or audit of Company financial statements;

- fraud or deliberate error in the recording and maintenance of the Company's financial records;

- deficiencies in or noncompliance with the Company's internal accounting controls;

- misrepresentation or false statement to or by a senior officer or accountant regarding a matter contained in the Company's financial records, financial reports or audit reports; or

- deviation from full and fair reporting of the Company's financial condition.

If a report of suspected violation of the Code relates to accounting, internal accounting controls or auditing matters, the report will be transmitted to the Chairman of the Audit Committee by the General Counsel. You may elect to remain anonymous by making your concerns known via the Code of Business Conduct Hotline (205-268-2633 or 800-421-3564) or electronically at hotline@protective.com. If you choose to make an anonymous submission, you are encouraged to give as much detail as possible so that we will have the information necessary to carry out an investigation. We will treat any non-anonymous complaint received confidentially in accordance with our policies for reporting other violations under the Code. In the event that, as a manager, you receive a report of a concern regarding questionable accounting or auditing matters, it is your responsibility to submit that concern to the General Counsel.

Consultants

Consultants and agents retained by our Company are expected to adhere to this Code and other Company policies in the course of their work on behalf of the Company.

- In retaining a consultant, you should ensure that no conflict of interest exists, that the consultant is genuinely qualified in the business for which retained, that the compensation is reasonable for the services being performed, and that there is a written agreement outlining the statement of work and requiring the consultant to comply with all applicable laws and appropriate Company policies.

- Consultants and agents may not be retained to do anything illegal or improper. You may not do anything indirectly that you may not do directly, and you may not do through a third party what you may not do yourself.

Complying with Laws

In General

The Company intends to conduct its business in a way that not only conforms to the letter of the law, but also promotes the spirit of fairness and honesty behind the laws.

- Every employee has the responsibility to become familiar with and comply with the laws and regulations that govern his or her area of responsibility. Ignorance of applicable laws is not acceptable.

- If you have questions about the meaning or application of any law or regulation, you should consult with and be guided by the advice of the Legal Department. Decisions regarding the application of the various laws should not be made without that advice.

- You may not take any action that you know or that our Legal Department has advised would violate any law or regulation.

Antitrust Laws

The antitrust laws are intended to preserve competition by prohibiting actions that could unreasonably restrain the functioning of a free and competitive marketplace.

- Any agreement that could limit competition in a specific market may be a violation of these laws and must be reviewed by the Legal Department.

- Because verbal exchanges can be viewed as an agreement, you need to exercise caution whenever you meet with competitors.

- Keep your discussions to the business purpose of the meeting.

- Avoid discussions with competitors related to market share, projected sales for any specific product or service, revenues and expenses, production schedules, inventories, unannounced products and services, pricing strategies, marketing and, of course, any confidential, private or proprietary Company information.

- You should not discuss with a competitor whether the Company or the competitor intends to enter or withdraw from a specific market.

These guidelines also apply to informal contacts you may have with competitors, including those at trade shows or meetings of professional organizations.

Each of the following may be a violation of the antitrust laws. In many instances, violators are subject to criminal penalties. Before engaging in any discussions with a competitor concerning the following, you must review the matter with the Legal Department:

- Prices or rates
- Allocation of markets or customers
- Limitations on production or quality
- Boycott of suppliers
- Intentions or motivations concerning entering or withdrawing from a market.

The Company has an Antitrust Compliance Manual that provides more comprehensive information and guidance about the antitrust laws than this Code. You should make sure that you understand and comply with the Antitrust Compliance Manual.

Securities Laws: Insider Trading and Transactions in Company Securities

Federal Law prohibits buying or selling securities based on "inside information," which is information not publicly available that could affect the price of the securities. Violators are subject to criminal penalties. Further, employees should never speculate in Company securities or purchase them except for long-term investments.

- You may not buy or sell, or advise others to buy or sell, Company securities at a time when you have inside information of a material nature. Note that this would include "giving tips" to friends or family.
- Inside information that might be material includes dividend changes, earnings estimates, significant business developments, expansion or curtailment of operations, sale or purchase of substantial assets or any other activity of significance.
- Buying or selling options relating to Company securities is prohibited for all employees.
- In addition, if you are an officer of the Company or one of its affiliates, you may not buy or sell Company securities or exercise stock appreciation rights during standard black-out periods unless specific authorization is received from the Chief Executive Officer, or unless the purchase, sale or SAR exercise is conducted on your behalf by a third party pursuant to a "Company-approved" 10b5-1 program. The standard black-out periods begin on March 10, June 10, September 10 and December 10, and end one (1) full business day after the next press release of quarterly earnings.
- In the event of some material unannounced developments, the Company may announce special "black-out" periods during which all employees will generally be prohibited from trading in Company securities until one (1) full business day after a press release concerning such development has been issued or as otherwise directed by the Company.
- You have an obligation to protect any confidential or material non-public information you obtain from the Company or its subsidiaries.

In addition, certain officers of the Company are subject to the Company's Stock Ownership Guidelines. Under these Guidelines, unless specific authorization is received from the Chief Executive Officer, you may not sell Company securities unless, both before and after the sale, you hold Company securities valued at a certain minimum multiple of your salary (with such multiple based on the office you hold). Officers subject to these Guidelines will be notified of these requirements.

Prohibitions on Employment in the Insurance Industry

It is a federal crime for a person who has ever been convicted of a felony involving dishonesty or breach of trust to work in the business of insurance unless that person obtains the consent of the appropriate state department of insurance, and it is a federal crime for a person who works in the business of insurance to willfully permit a person who has been convicted of a felony involving dishonesty or breach of trust to work in the business of insurance. If you have ever been convicted of a felony and have not obtained the required consent, or if you know that a fellow employee, consultant or agent has been convicted of a felony, you must immediately report the situation to the Legal Department.

Charitable Contributions

All of the Company's charitable contributions, including in-kind contributions, are coordinated through the Protective Life Foundation. You may not use Company monies to make charitable contributions. In addition, any purchase of goods or services from a charitable organization for a marketing purpose must be coordinated through the Protective Life Foundation's Executive Director. All other purchases of goods or services from a charitable organization must be done on an arm's-length basis. For example, purchases of tickets to the symphony or advertising through a charitable organization must be coordinated through the Protective Life Foundation's Executive Director, but purchases of flu vaccine through a non-profit hospital, if done on an arm's-length basis for fair value, may be done through the Company. All requests for charitable contributions are to be submitted to the Executive Director of the Protective Life Foundation.

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By faithfully adhering to the Code, we assure those who share an interest in our Company — notably our customers, shareowners and employees — that Protective is committed to the vision and values that serve as our foundation. This will help to ensure the Company's continued success, growth and viability. Since its inception, Protective has consistently required those who act on its behalf to do so with integrity. Our commitment to this fundamental principle remains central in all that we do.

You have a responsibility to report any suspected violations of this Code. A suspected violation could be a situation that you observe or a situation that is brought to your attention by someone else.

Suspected violations must be reported promptly to at least one of the following:

- The Human Resources Compliance Officer, Melanie McNary (in the Human Resources Department) at (205) 268-6136 or melanie.mcnary@protective.com
- The Chief Compliance Officer, Steve Callaway (in the Legal Department) at (205) 268- 3804 or steve.callaway@protective.com
- The General Counsel, Debbie Long (in the Legal Department) at (205) 268-3700 or debbie.long@protective.com
- The Chief Human Resources Officer, Scott Adams (in the Human Resources Department) at (205) 268-4452 or scott.adams@protective.com
- The Code of Business Conduct telephone hotline at (205) 268-CODE (2633) or (800) 421-3564 (*You may communicate to the telephone hotlines anonymously.*)
- The Code of Business Conduct email hotline at hotline@protective.com (*You may communicate to the email hotline anonymously.*)

Exhibit 14(a)

Supplemental Policy on Conflict of Interest

Revised August 2010

It is the policy of Protective Life Corporation and its affiliates (the "Company") to be in compliance with all laws and regulations that are applicable to its business at all governmental levels. In some instances the laws and regulations may be ambiguous or difficult to interpret. To assist us in doing that the Company has adopted its Code of Business Conduct. In all cases, however, the Company has access to legal advice throughout its operations and all directors and employees should seek such legal advice as may be necessary to assure compliance with the Company's policy of compliance with all laws and regulations.

As provided by the Code of Business Conduct, it is also the policy of the Company that all of its directors and employees should conduct business of the Company on the highest ethical level and be free from conflicting interests and relationships. No director or employee should knowingly allow himself to be involved in a conflict of interest except as may be reported or, upon discovery of a conflict situation, allow the conflict to continue.

It is the policy of the Company to require all directors and exempt employees of the Company, to annually review and certify their compliance with the Code of Business Conduct and to report all information that may be relevant to determine the existence or likely development of a significant conflict of interest. Exempt employees should report immediately any changed circumstances which would cause the information in the most recent periodic report to become materially misleading, incomplete or outdated.

All reports and certifications required by this policy and the Code of Business Conduct shall be submitted to the General Counsel and reviewed annually with the Audit Committee.

1. Directorships, Trusteeships, Officerships, Partnerships, Employment and Other Outside Activities.

Participation as a member of a Board of Directors or officer of another company or organization or membership in a partnership can create a potential conflict of interest. Directors and exempt employees are to report all of their positions as director, officer, partner, trustee, or similar position with any other company, partnership or other business or charitable organization. Exempt employees shall report all outside employment of themselves and their spouses and in addition all other outside activities of themselves which may take time and attention required by Company duties. Exempt employees should also report all compensation for services rendered, regardless of the source. Directors and exempt employees should report any outside activities which may involve obligations that might compete or conflict with the interest of the Company or which might influence the director's or employee's official actions or decisions.

Before accepting for himself any position or employment described in the preceding paragraph, an employee must first obtain the approval of the senior officer of his department. Any employee reporting to the Chief Executive Officer must first obtain the approval of the Chief Executive Officer, or the Chief Executive Officer must first obtain the approval of the Audit Committee of the Board of Directors.

2. **Self-Dealing.**

Applicable state law generally prohibits directors and officers of an insurance company from having a pecuniary interest in transactions relating to the Company. For example, officers may not receive commissions or gifts in connection with the sale of a Company policy. If you have any questions about what would be covered by these laws, please contact the Legal Department.

3. **Investments.**

Each director or exempt employee who either directly or indirectly through a spouse, minor child or trust for the benefit of himself, his spouse or minor child, has any investment or financial interest in any business enterprise with which, to the knowledge of the director or employee,

a) the Company has had business dealings within the past two years,
b) the Company plans to have business dealings, or
c) the Company competes, directly or indirectly,

shall report such investment or financial interest unless all of the following tests are met:

a) The interest is in an enterprise whose common stock is listed on one of the stock exchanges or is traded over the counter; and
b) The investment is in equity securities and such interest is less than 1% of the outstanding equity securities of the enterprise; and
c) In the case of any employee, the fair market value of the investment is less than the aggregate compensation plus Protective Life Corporation stockholder dividends received by the employee from the Company during the preceding calendar year.

4. **Political Offices.**

Any employee desiring to run for an elective office or to accept an appointment to a state or local government office should discuss the matter in advance with the senior officer of his department (and employees reporting directly to the Chief Executive Office should discuss such a matter with him) in order to make certain that the duties of the office and the time away from the job will not materially interfere with assigned job responsibilities. If election or appointment would materially interfere, it would be the responsibility of the senior officer of the employee’s department or the Chief Executive Office to make such changes in duties and compensation as may be dictated prior to the employee’s assuming any such office. All such changes directed by a senior officer must be discussed with and approved in advance by the Chief Executive Officer. The Chief Executive Officer should obtain the approval of the Board of Directors before running for or accepting appointment to any political or government office.

The foregoing paragraphs are illustrative only. Each director or exempt employee should report any circumstance even though not specifically described above now existing or which later arises which could be construed to interfere, actually or potentially, with his undivided loyalty to the Company in the performance of his Company duties. Should there be any doubt as to whether a conflict exists, such doubt should be resolved in favor of assuming that the conflict does exist.

Exhibit 21
to
Form 10-K
of
Protective Life Corporation
for
Fiscal Year
Ended December 31, 2013
Principal Subsidiaries of the Registrant

The following wholly owned subsidiary of Protective Life Corporation is organized under the laws of the State of Tennessee and does business under its corporate name:

Protective Life Insurance Company

The following wholly owned subsidiary of Protective Life Insurance Company is incorporated under the laws of the State of Nebraska and does business under its corporate name:

West Coast Life Insurance Company

The following wholly owned subsidiary of Protective Life Insurance Company is incorporated under the laws of the State of Alabama and does business under its corporate name:

Protective Life and Annuity Insurance Company

The following wholly owned subsidiary of Protective Life Insurance Company is incorporated under the laws of the State of Missouri and does business under its corporate name:

Lyndon Property Insurance Company

The following wholly owned subsidiary of Protective Life Insurance Company is incorporated under the laws of the State of New York and does business under its corporate name:

MONY Life Insurance Company

Exhibit 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 033-55063, 333-39103, 333-105003, 333-121791, 333-151976 and 333-175224) and Form S-8 (Nos. 033-61847, 333-155445, 333-155446, 333-185407, and 333-187086) of Protective Life Corporation and its subsidiaries of our report dated February 28, 2014 relating to the financial statements, financial statement schedules and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

PricewaterhouseCoopers LLP

Birmingham, Alabama

February 28, 2014

Exhibit 24

PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of Protective Life Corporation, a Delaware corporation (the "Company"), by his/her execution hereof or upon an identical counterpart hereof, does hereby constitute and appoint John D. Johns, Richard J. Bielen, Deborah J. Long, or Steven G. Walker, and each or any of them, his/her true and lawful attorneys-in-fact and agents, for him/her and in his/her name, place and stead, to execute and sign the Annual Report on Form 10-K for the year ended December 31, 2013, to be filed by the Company with the Securities and Exchange Commission pursuant to the provisions of the Securities Exchange Act of 1934 and, further, to execute and sign any and all amendments to such Annual Report, and to file same, with all exhibits and schedules thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all the acts of said attorneys-in-fact and agents or any of them which they may lawfully do in the premises or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 24th day of February 2014.

/s/ Robert O. Burton
Robert O. Burton
Director

WITNESS:

/s/ HOLLY BROWN
Holly Brown

PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of Protective Life Corporation, a Delaware corporation (the "Company"), by his/her execution hereof or upon an identical counterpart hereof, does hereby constitute and appoint John D. Johns, Richard J. Bielen, Deborah J. Long, or Steven G. Walker, and each or any of them, his/her true and lawful attorneys-in-fact and agents, for him/her and in his/her name, place and stead, to execute and sign the Annual Report on Form 10-K for the year ended December 31, 2013, to be filed by the Company with the Securities and Exchange Commission pursuant to the provisions of the Securities Exchange Act of 1934 and, further, to execute and sign any and all amendments to such Annual Report, and to file same, with all exhibits and schedules thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all the acts of said attorneys-in-fact and agents or any of them which they may lawfully do in the premises or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 24th day of February 2014.

/s/ Elaine L. Chao
Elaine L. Chao
Director

WITNESS:

/s/ HOLLY BROWN
Holly Brown

PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of Protective Life Corporation, a Delaware corporation (the "Company"), by his/her execution hereof or upon an identical counterpart hereof, does hereby constitute and appoint John D. Johns, Richard J. Bielen, Deborah J. Long, or Steven G. Walker, and each or any of them, his/her true and lawful attorneys-in-fact and agents, for him/her and in his/her name, place and stead, to execute and sign the Annual Report on Form 10-K for the year ended December 31, 2013, to be filed by the Company with the Securities and Exchange Commission pursuant to the provisions of the Securities Exchange Act of 1934 and, further, to execute and sign any and all amendments to such Annual Report, and to file same, with all exhibits and schedules thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all the acts of said attorneys-in-fact and agents or any of them which they may lawfully do in the premises or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 24th day of February 2014.

/s/ Thomas L. Hamby
Thomas L. Hamby
Director

WITNESS:

/s/ HOLLY BROWN
Holly Brown

PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of Protective Life Corporation, a Delaware corporation (the "Company"), by his/her execution hereof or upon an identical counterpart hereof, does hereby constitute and appoint John D. Johns, Richard J. Bielen, Deborah J. Long, or Steven G. Walker, and each or any of them, his/her true and lawful attorneys-in-fact and agents, for him/her and in his/her name, place and stead, to execute and sign the Annual Report on Form 10-K for the year ended December 31, 2013, to be filed by the Company with the Securities and Exchange Commission pursuant to the provisions of the Securities Exchange Act of 1934 and, further, to execute and sign any and all amendments to such Annual Report, and to file same, with all exhibits and schedules thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all the acts of said attorneys-in-fact and agents or any of them which they may lawfully do in the premises or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 24th day of February 2014.

/s/ Vanessa Leonard
Vanessa Leonard
Director

WITNESS:

/s/ HOLLY BROWN
Holly Brown

PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of Protective Life Corporation, a Delaware corporation (the "Company"), by his/her execution hereof or upon an identical counterpart hereof, does hereby constitute and appoint John D. Johns, Richard J. Bielen, Deborah J. Long, or Steven G. Walker, and each or any of them, his/her true and lawful attorneys-in-fact and agents, for him/her and in his/her name, place and stead, to execute and sign the Annual Report on Form 10-K for the year ended December 31, 2013, to be filed by the Company with the Securities and Exchange Commission pursuant to the provisions of the Securities Exchange Act of 1934 and, further, to execute and sign any and all amendments to such Annual Report, and to file same, with all exhibits and schedules thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all the acts of said attorneys-in-fact and agents or any of them which they may lawfully do in the premises or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 24th day of February 2014.

/s/ Charles D. McCrary
Charles D. McCrary
Director

WITNESS:

/s/ HOLLY BROWN
Holly Brown

PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of Protective Life Corporation, a Delaware corporation (the "Company"), by his/her execution hereof or upon an identical counterpart hereof, does hereby constitute and appoint John D. Johns, Richard J. Bielen, Deborah J. Long, or Steven G. Walker, and each or any of them, his/her true and lawful attorneys-in-fact and agents, for him/her and in his/her name, place and stead, to execute and sign the Annual Report on Form 10-K for the year ended December 31, 2013, to be filed by the Company with the Securities and Exchange Commission pursuant to the provisions of the Securities Exchange Act of 1934 and, further, to execute and sign any and all amendments to such Annual Report, and to file same, with all exhibits and schedules thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all the acts of said attorneys-in-fact and agents or any of them which they may lawfully do in the premises or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 24th day of February 2014.

/s/ John J. McMahon, Jr.
John J. McMahon, Jr.
Director

WITNESS:

/s/ HOLLY BROWN
Holly Brown

PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of Protective Life Corporation, a Delaware corporation (the "Company"), by his/her execution hereof or upon an identical counterpart hereof, does hereby constitute and appoint John D. Johns, Richard J. Bielen, Deborah J. Long, or Steven G. Walker, and each or any of them, his/her true and lawful attorneys-in-fact and agents, for him/her and in his/her name, place and stead, to execute and sign the Annual Report on Form 10-K for the year ended December 31, 2013, to be filed by the Company with the Securities and Exchange Commission pursuant to the provisions of the Securities Exchange Act of 1934 and, further, to execute and sign any and all amendments to such Annual Report, and to file same, with all exhibits and schedules thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all the acts of said attorneys-in-fact and agents or any of them which they may lawfully do in the premises or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 24th day of February 2014.

/s/ Hans H. Miller
Hans H. Miller
Director

WITNESS:

/s/ HOLLY BROWN
Holly Brown

PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of Protective Life Corporation, a Delaware corporation (the "Company"), by his/her execution hereof or upon an identical counterpart hereof, does hereby constitute and appoint John D. Johns, Richard J. Bielen, Deborah J. Long, or Steven G. Walker, and each or any of them, his/her true and lawful attorneys-in-fact and agents, for him/her and in his/her name, place and stead, to execute and sign the Annual Report on Form 10-K for the year ended December 31, 2013, to be filed by the Company with the Securities and Exchange Commission pursuant to the provisions of the Securities Exchange Act of 1934 and, further, to execute and sign any and all amendments to such Annual Report, and to file same, with all exhibits and schedules thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all the acts of said attorneys-in-fact and agents or any of them which they may lawfully do in the premises or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 24th day of February 2014.

/s/ Malcolm Portera
Malcolm Portera
Director

WITNESS:

/s/ HOLLY BROWN
Holly Brown

PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of Protective Life Corporation, a Delaware corporation (the "Company"), by his/her execution hereof or upon an identical counterpart hereof, does hereby constitute and appoint John D. Johns, Richard J. Bielen, Deborah J. Long, or Steven G. Walker, and each or any of them, his/her true and lawful attorneys-in-fact and agents, for him/her and in his/her name, place and stead, to execute and sign the Annual Report on Form 10-K for the year ended December 31, 2013, to be filed by the Company with the Securities and Exchange Commission pursuant to the provisions of the Securities Exchange Act of 1934 and, further, to execute and sign any and all amendments to such Annual Report, and to file same, with all exhibits and schedules thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all the acts of said attorneys-in-fact and agents or any of them which they may lawfully do in the premises or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 24th day of February 2014.

/s/ C. Dowd Ritter
C. Dowd Ritter
Director

WITNESS:

/s/ HOLLY BROWN
Holly Brown

PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of Protective Life Corporation, a Delaware corporation (the "Company"), by his/her execution hereof or upon an identical counterpart hereof, does hereby constitute and appoint John D. Johns, Richard J. Bielen, Deborah J. Long, or Steven G. Walker, and each or any of them, his/her true and lawful attorneys-in-fact and agents, for him/her and in his/her name, place and stead, to execute and sign the Annual Report on Form 10-K for the year ended December 31, 2013, to be filed by the Company with the Securities and Exchange Commission pursuant to the provisions of the Securities Exchange Act of 1934 and, further, to execute and sign any and all amendments to such Annual Report, and to file same, with all exhibits and schedules thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all the acts of said attorneys-in-fact and agents or any of them which they may lawfully do in the premises or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 24th day of February 2014.

/s/ Jesse J. Spikes
Jesse J. Spikes
Director

WITNESS:

/s/ HOLLY BROWN
Holly Brown

PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of Protective Life Corporation, a Delaware corporation (the "Company"), by his/her execution hereof or upon an identical counterpart hereof, does hereby constitute and appoint John D. Johns, Richard J. Bielen, Deborah J. Long, or Steven G. Walker, and each or any of them, his/her true and lawful attorneys-in-fact and agents, for him/her and in his/her name, place and stead, to execute and sign the Annual Report on Form 10-K for the year ended December 31, 2013, to be filed by the Company with the Securities and Exchange Commission pursuant to the provisions of the Securities Exchange Act of 1934 and, further, to execute and sign any and all amendments to such Annual Report, and to file same, with all exhibits and schedules thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all the acts of said attorneys-in-fact and agents or any of them which they may lawfully do in the premises or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 24th day of February 2014.

/s/ William A. Terry
William A. Terry
Director

WITNESS:

/s/ HOLLY BROWN
Holly Brown

PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of Protective Life Corporation, a Delaware corporation (the "Company"), by his/her execution hereof or upon an identical counterpart hereof, does hereby constitute and appoint John D. Johns, Richard J. Bielen, Deborah J. Long, or Steven G. Walker, and each or any of them, his/her true and lawful attorneys-in-fact and agents, for him/her and in his/her name, place and stead, to execute and sign the Annual Report on Form 10-K for the year ended December 31, 2013, to be filed by the Company with the Securities and Exchange Commission pursuant to the provisions of the Securities Exchange Act of 1934 and, further, to execute and sign any and all amendments to such Annual Report, and to file same, with all exhibits and schedules thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all the acts of said attorneys-in-fact and agents or any of them which they may lawfully do in the premises or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 24th day of February 2014.

/s/ W. Michael Warren, Jr.
W. Michael Warren, Jr.
Director

WITNESS:

/s/ HOLLY BROWN
Holly Brown

PROTECTIVE LIFE CORPORATION
DIRECTOR POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned Director of Protective Life Corporation, a Delaware corporation (the "Company"), by his/her execution hereof or upon an identical counterpart hereof, does hereby constitute and appoint John D. Johns, Richard J. Bielen, Deborah J. Long, or Steven G. Walker, and each or any of them, his/her true and lawful attorneys-in-fact and agents, for him/her and in his/her name, place and stead, to execute and sign the Annual Report on Form 10-K for the year ended December 31, 2013, to be filed by the Company with the Securities and Exchange Commission pursuant to the provisions of the Securities Exchange Act of 1934 and, further, to execute and sign any and all amendments to such Annual Report, and to file same, with all exhibits and schedules thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as the undersigned might or could do in person, hereby ratifying and confirming all the acts of said attorneys-in-fact and agents or any of them which they may lawfully do in the premises or cause to be done by virtue hereof.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney and caused it to be witnessed on this 24th day of February 2014.

/s/ Vanessa Wilson
Vanessa Wilson
Director

WITNESS:

/s/ HOLLY BROWN
Holly Brown

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 31(a)

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John D. Johns, certify that:

1. I have reviewed the Annual Report on Form 10-K for the year ended December 31, 2013, of Protective Life Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2014

/s/ JOHN D. JOHNS

Chairman of the Board, President and Chief Executive Officer

QuickLinks

Exhibit 31(b)

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Richard J. Bielen, certify that:

1. I have reviewed the Annual Report on Form 10-K for the year ended December 31, 2013, of Protective Life Corporation;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 28, 2014

/s/ RICHARD J. BIELEN

Vice Chairman and Chief Financial Officer

QuickLinks

Exhibit 32(a)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Protective Life Corporation (the "Company") on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John D. Johns, Chairman of the Board, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JOHN D. JOHNS

Chairman of the Board,
President and Chief Executive Officer

February 28, 2014

This certification accompanies the Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

QuickLinks

QuickLinks -- Click here to rapidly navigate through this document

Exhibit 32(b)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Protective Life Corporation (the "Company") on Form 10-K for the year ended December 31, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard J. Bielen, Vice Chairman and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RICHARD J. BIELEN

Vice Chairman and Chief Financial Officer

February 28, 2014

This certification accompanies the Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

QuickLinks

[Exhibit 32(b)](#)
[CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002](#)