



***The Guardian Life Insurance Company of America***

***Information Memorandum  
dated as of January 17, 2017***

## About Guardian

### Overview

Founded in 1860 and incorporated in the State of New York, Guardian is the fourth largest U.S. mutual life insurance company based on statutory surplus of \$6.1 billion as of December 31, 2015, according to peer data compiled by the National Association of Insurance Commissioners (the “NAIC”). Guardian primarily operates in the ordinary life insurance business, but also provides, directly or through its subsidiaries, a wide range of group, disability, and wealth management and retirement savings products and services, as well as investment services. The Company provides its products and services to individuals, corporations and other institutions in all 50 states of the United States and the District of Columbia. Guardian’s major subsidiaries include Berkshire Life Insurance Company of America (“BLICOA”), The Guardian Insurance & Annuity Company, Inc. (“GIAC”), First Commonwealth, Inc. (“FCW”) and Guardian Investor Services LLC (“GIS”).

As of December 31, 2015, Guardian had total assets of \$48.1 billion, total life insurance in-force of \$555.5 billion and statutory surplus of \$6.1 billion. For the year ended December 31, 2015, Guardian generated total premium income of \$7.3 billion, net gain from operations of \$1.4 billion, and net income of \$433 million. Guardian’s insurance financial strength/claims paying ability is rated AA+ (Very Strong) by Standard & Poor’s Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”), Aa2 (Excellent) by Moody’s Investors Service, Inc. (“Moody’s”), AA+ (Very High) by Fitch IBCA (“Fitch”) and A++ (Superior) by A.M. Best Company, Inc. (“A.M. Best”). S&P, Moody’s, Fitch, and A.M. Best currently report a stable outlook for Guardian’s insurance financial strength/claims paying abilities rating.

Guardian, together with its subsidiaries, is a financial services group that seeks to provide attractive value for policyholders and customers by providing a wide array of differentiated products and services, while aiming to achieve strong financial results. In pursuing this strategy, Guardian’s guiding principle is to enable its customers to obtain financial success while protecting their families and businesses. To achieve this goal, Guardian focuses on developing and distributing a broad portfolio of financial products and services, maintaining what it believes to be prudent underwriting standards and rigorous expense control, and pursuing asset/liability management practices that it considers conservative.

Effective March 9, 2016, Guardian announced a simplification of its operating model from a set of businesses defined by product (Group, Individual Life, Individual Disability, Retirement Solutions) to a more customer- and market-segment-focused organization. The principal product lines of Guardian and its major subsidiaries are now organized into two segments set forth below:

- *Individual Markets* products and services include individual life insurance, individual disability income insurance products and wealth management and savings products. Individual life insurance products include participating whole life insurance, universal life insurance, term life insurance and variable universal life insurance. Individual disability income insurance products, which are sold by BLICOA, include individual disability income insurance and multi-life disability income insurance. Individual Markets also includes certain wealth management and retirement savings products, which aim to meet an individual’s needs through products sold by GIAC. These products include individual fixed and variable annuities.
- *Group and Worksite Markets* products include dental, vision, life, accidental death and dismemberment (“AD&D”), short- and long-term disability, stop loss, absence management administration and supplemental products such as accident, cancer and critical illness. Guardian’s group business has also diversified into new areas, including dental and vision benefits for government programs as well as dental support organizations.

Guardian distributes its individual products primarily through a career agent force, which consists of agencies managed by general agents and career development managers, consisting of career agents and brokers who sell products directly to the customer. Guardian distributes its group products through group sales representatives,

brokers, benefit consultants and its career agents. As of December 2016, Guardian had over 230 group sales professionals and 85 account managers, and over 15,500 active group brokers and benefit consultants. Guardian's career agent sales force sells products for Guardian (individual life insurance and group products), GIAC (individual annuities) and BLICOA (individual disability products), subject to applicable licensing and appointment requirements. The career agent system sells the majority of the individual life insurance products and a large portion of the individual disability and annuity products. Many Guardian career agents are registered representatives of Guardian's broker-dealer subsidiary, Park Avenue Securities, LLC ("PAS"), and in that capacity provide wealth management services and savings products to their clients. Individual disability income products are also sold by brokers associated with general agents. Individual annuity products are also sold through the independent brokerage channel. Currently, the majority of the group business is sold using Guardian sales representatives or wholesaling organizations through brokers. Guardian expects this split of sales through the various distribution channels to continue for the foreseeable future.

## Guardian Business Profile

The chart below shows the product lines, target markets, distribution by broad product offerings of Guardian and its subsidiaries, on a consolidated basis.

|                | Individual Markets                                                                                                                                           |                                                                                                                          |                                                                                                                                               | Group and Worksite Markets                                                                                                                                                                                                                                                                                          |
|----------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                | Individual Life Insurance                                                                                                                                    | Individual Disability Income Insurance                                                                                   | Individual Savings Products                                                                                                                   | Group Insurance                                                                                                                                                                                                                                                                                                     |
| Product Lines  | <ul style="list-style-type: none"> <li>• Whole Life</li> <li>• Term Life</li> <li>• Universal Life</li> <li>• Variable Universal Life</li> </ul>             | <ul style="list-style-type: none"> <li>• Individual Disability</li> <li>• Multi-Life Disability Income</li> </ul>        | <ul style="list-style-type: none"> <li>• Fixed Annuities</li> <li>• Variable Annuities</li> </ul>                                             | <ul style="list-style-type: none"> <li>• Dental</li> <li>• Short- and Long-Term Disability</li> <li>• Life and AD&amp;D</li> <li>• Absence Management Administration</li> <li>• Vision</li> <li>• Critical Illness</li> <li>• Stop Loss</li> <li>• Accident</li> <li>• Cancer</li> <li>• Dental Services</li> </ul> |
| Target Markets | <ul style="list-style-type: none"> <li>• Small Business Owners</li> <li>• Affluent Professionals</li> <li>• Executives</li> </ul>                            | <ul style="list-style-type: none"> <li>• Small Business Owners</li> <li>• Professionals</li> <li>• Executives</li> </ul> | <ul style="list-style-type: none"> <li>• Professionals</li> <li>• Executives</li> <li>• Affluent and Emerging Affluent Individuals</li> </ul> | <ul style="list-style-type: none"> <li>• Employer Groups</li> <li>• Government Programs</li> </ul>                                                                                                                                                                                                                  |
| Distribution   | <ul style="list-style-type: none"> <li>• 58 General Agencies and Guardian-managed agencies</li> <li>• Over 2,750 Career Agents</li> <li>• Brokers</li> </ul> | <ul style="list-style-type: none"> <li>• Career Agents</li> <li>• Brokers</li> </ul>                                     | <ul style="list-style-type: none"> <li>• Career Agents</li> <li>• Brokers</li> <li>• Wholesalers</li> </ul>                                   | <ul style="list-style-type: none"> <li>• Over 230 Group Sales Representatives</li> <li>• Over 15,500 Active Group Brokers and Benefit Consultants</li> </ul>                                                                                                                                                        |

Guardian sells participating whole life insurance, universal life insurance, term life insurance and all group insurance products. BLICOA sells all individual disability income insurance products. GIAC sells retirement products and services, as well as universal life insurance and variable universal life insurance. FCW provides dental insurance and government program vision, dental and hearing products through various subsidiaries. GIS provides absence management and investment advisory services through its Reed Group and Park Avenue Institutional Advisers subsidiaries, and also supports the operation of dental clinics through its dental support organization subsidiaries.

## Key Strengths

Guardian believes that its key strengths will enable it to capitalize on a variety of opportunities in the U.S. life insurance market. These strengths include:

- *Commitment to mutual status.* This commitment allows Guardian to focus on meeting the needs of its policyholders by making long-term financial strength and stability and the payment of competitive dividends its primary objectives. As a mutual insurance company, Guardian does not have stockholders and believes that it does not experience the same short-term earnings pressures as its publicly-traded life insurance peers, permitting it to manage product development, risk and investments on a long-term economic basis.



- *Diversified product portfolio that meets a wide array of needs.* Guardian believes that the diversity of its product portfolio allows it to meet the needs of its clients, both at the individual and group level. Guardian also believes that its diversified product portfolio improves its ability to be financially successful in many different market environments by providing diversification of earnings and reducing the level of volatility in its financial results. Guardian has paid dividends to policyholders every year since 1868.
- *Industry-leading products targeted at high-quality customer base.* Guardian believes that it is a product leader in many areas where it writes business, in particular among its targeted core customer base of affluent individuals, small businesses and small business owners. Guardian's participating whole life insurance products, which have represented approximately 88% of Guardian's individual life premium income over the past five years, offer a competitive base product together with attractive riders and a competitive dividend scale, making Guardian the fourth largest writer of participating whole life premium in the industry in 2015, according to LIMRA Sales Report. In addition, Guardian's high net worth customer base has resulted in larger average premiums per policy than most of its peers; according to the 2015 LIMRA Sales Report, Guardian's average whole life only premium per policy sold was \$9,594 while the peer group's average was \$3,982. This peer group includes Massachusetts Mutual Life Insurance Company, New York Life Insurance Company and The Northwestern Mutual Life Insurance Company. Guardian believes its term and universal life and individual disability income products are also attractive in terms of benefit features and price. Based on the 2015 LIMRA survey results, the most recent annual LIMRA survey available, Guardian's dental business ranks first in in-force PPO cases.
- *Highly productive career agent system.* Guardian's distribution model for individual products is focused on career agents, supervised by general agents and career development managers in 58 general agencies and Guardian-managed agencies. This is a critical element of Guardian's business model. Guardian's career agent system consists of over 2,750 active agents and enjoys one of the highest retention rates in the industry. Guardian's four-year average agent retention as of December 31, 2015 was 24% versus the overall 15% four-year average of the companies that participated in the 2014 LIMRA Agent Production and Retention Study. Guardian believes the benefits of a career agent model include the commitment of career agents to the long-term protection of their clients and the long-term financial success, financial strength and stability of Guardian, as well as the agents' commitment to their communities and the small businesses located there. The career system is supplemented by other distribution channels where appropriate for the product and market.
- *Long-term track record of growth and profitability.* Guardian has historically experienced strong operating results and has been profitable every year since 2003 based on net income. In 2015, Guardian generated total revenues of \$9.7 billion, net gain from operations of \$1.4 billion and net income of \$433 million. In addition, from 2003 to 2015, Guardian's net income and policyholder surplus increased at compound annual growth rates of approximately 6% and 7%, respectively.
- *Strong balance sheet with a conservative investment portfolio and solid levels of capitalization.* Guardian believes that it has strong financial strength and capitalization, as evidenced by its strong insurance financial strength/claims paying ability ratings from the rating agencies and its regulatory capital ratios, which historically have been in excess of the levels required by regulatory authorities. S&P, Moody's, Fitch and A.M. Best currently report a stable outlook for Guardian's financial strength rating. Guardian also believes that its investment portfolio is conservative and well-diversified. Guardian maintains a high-quality fixed income portfolio, with approximately 94% of the securities in its bond portfolio, as of December 31, 2015, rated investment grade.
- *Strong Enterprise Risk Management execution.* Guardian believes that it has a strong risk management culture, internal controls and reporting and oversight system. Guardian employs experienced asset class specialists that actively manage credit and portfolio risk. Furthermore,

Guardian maintains what it considers to be a low product risk profile with focus on participating life insurance and a conservative set of product guarantees.

- *Accomplished and deep management team.* Guardian's management team is composed of well-respected, seasoned executives with extensive experience in the insurance industry and at Guardian.

### **Corporate Strategy**

Guardian's strategic objective is to generate growth in net income and to maintain a strong and consistent policyholder dividend policy. Guardian intends to achieve its objective by pursuing the following strategies:

- *Being the trusted mutual partner, delivering financial security how, when and where its clients prefer.* By making mutuality relevant at a personal level, Guardian focuses on solutions that fit its clients' needs. Specific customer segments are targeted via appropriate channels leveraging technology to deliver products and service more efficiently.
- *Focus on profitable growth.* Guardian continues to pursue opportunities to drive profitable growth, including improving its products, expanding distribution and enhancing its service capabilities. Guardian has invested significant resources in expanding and strengthening its distribution system and the management team remains committed to distribution excellence to generate profitable growth for the company. This includes expansion into the Worksite market, where consumers are increasingly purchasing insurance products.
- *Pursue strong risk management and underwriting standards.* Guardian believes that it has a conservative, low-risk approach to operations and underwriting and actively manages product and investment risk. Consistent with its history as a mutual insurance company, Guardian is committed to pursuing high asset quality, strong capitalization and liquidity and a conservative investment philosophy. Guardian believes it utilizes reasonably conservative underwriting practices in its insurance businesses.
- *Continue to deliver superior service.* Guardian seeks to develop and maintain long-term relationships with customers through its career agent system and sales organizations, including general agents, career agents, brokers, group sales representatives and wholesalers. Guardian believes it has established a reputation for high-quality service to its customers and distribution, and remains committed to providing the superior service that has been recognized by such organizations as J.D. Power and DALBAR.

### **Guardian's History and Where You Can Find It**

Founded in 1860 and incorporated in the State of New York, Guardian is the fourth largest mutual life insurance company in the United States based on statutory surplus of \$6.1 billion as of December 31, 2015, according to peer data compiled by the NAIC.

Guardian's headquarters are located at 7 Hanover Square, New York, New York, 10004, and its telephone number is: (212) 919-8000. Guardian's website is located at <http://www.guardianlife.com>.

### **Recent Developments**

On December 31, 2015, through a subsidiary, Guardian acquired the absence management business of Aon Corporation for integration with the existing absence management business of its subsidiary, Reed Group, Ltd., a wholly owned subsidiary of Guardian.

On January 29, 2016, First Commonwealth, Inc., a wholly owned subsidiary of Guardian, completed the acquisition of Avësis Incorporated, a leading provider of government program vision, dental and hearing provider.

Effective March 9, 2016, Guardian announced a simplification of its operating model from a set of businesses defined by product (Group, Individual Life, Individual Disability, Retirement Solutions) to a more customer- and market segment-focused organization. Guardian is now operated through two separate operating organizations—Individual Markets and Group and Worksite Markets. Individual Markets combines the products and services Guardian provides directly to individual clients primarily through its general agency distribution channel, and Group and Worksite Markets provides products and services to individual end customers distributed primarily to and through employers and other groups.

Further, as a consequence of the simplification of the operating model, Guardian eliminated the role of the Chief Operating Officer, aligning the businesses and critical executive leadership to report directly to the President and Chief Executive Officer of Guardian.

On July 29, 2016, Guardian completed the previously announced sale of RS Investment Management Co. LLC to Victory Capital Management Inc.

On August 25, 2016, through a subsidiary, Guardian acquired STX Healthcare Management Services, a dental services organization (“STX”). STX will be part of Guardian’s Access Dental Services (“ADS”) business, operating within the Group and Worksite Markets organization. ADS, which includes Access Dental and Blue Hills Dental Centers, became a part of Guardian in 2014 when Guardian acquired Premier Access, adding directly-managed dental care centers to Guardian’s portfolio.

On September 1, 2016, Guardian completed the previously announced sale of its 401(k) business to Ameritas Life Insurance Corp. (“Ameritas”) via a reinsurance transaction and asset sale. The transaction documents also provide for an assumption/novation to Ameritas of each customer contract associated with the 401(k) business beginning 24 months following closing, and provides for administration of the reinsured business by Ameritas. Ameritas bears all economic risk for this business as of September 1, 2016. See “Business of Guardian—Reinsurance—Reinsurance with Unaffiliated Companies.”

On April 18, 2016, Guardian Life Global Funding, a special purpose trust, established a global debt issuance program (the “FABN Program”) for the sale from time to time of up to \$3 billion in funding agreement-backed notes. On April 26, 2016 and October 27, 2016, Guardian Life Global Funding issued \$500 million and \$300 million, respectively, under the FABN Program (the “FA-Backed Notes”). Pursuant to the FABN Program, Guardian Life Global Funding used the proceeds from each sale of FA-Backed Notes to purchase a funding agreement from Guardian, which secure the obligations of the relevant FA-Backed Notes. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Funding Agreement-Backed Notes.”

Over the course of 2016, consistent with its strategy to operate all non-insurance risk and fee-oriented businesses through its subsidiary, GIS, Guardian transferred certain assets and consolidated third-party asset management services to subsidiaries of GIS. Further, on January 1, 2017, Guardian transferred ownership of its absence management and dental services assets, including Reed Group, Ltd. and ADS, to subsidiaries of GIS.

In January 2017, Guardian announced it would discontinue offering variable annuities with living benefit riders on or before March 31, 2017. In recent years, the Company has limited distribution of variable annuities with living benefit riders to clients of its career distribution channel, and while the Company believes its variable annuity products have been conservatively priced, Guardian elected to discontinue further sales of variable annuities with living benefit riders in light of the competitive and regulatory environment and in accordance with its continuing focus on prudent risk management.

### **Results of Operations for the Nine Months Ended September 30, 2016 and 2015**

The following statutory financial information for the nine months ended September 30, 2016 and 2015 and as of September 30, 2016 and December 31, 2015 has been derived from the Statutory Financial Statements included elsewhere in this Memorandum. The Statutory Financial Statements for 2015, 2014 and 2013 have been

audited by PricewaterhouseCoopers LLP, independent auditors. The Statutory Financial Statements for the nine months ended September 30, 2016 and 2015 have not been audited.

This information should be read in conjunction with, and is qualified in its entirety by, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Statutory Financial Statements and other information included elsewhere in this Memorandum. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results may differ from estimates. The results for past accounting periods are not necessarily indicative of the results to be expected for any future accounting period.

|                                                                                    | Nine Months Ended<br>September 30,                      |                                             | \$ Change                        | % Change                         |
|------------------------------------------------------------------------------------|---------------------------------------------------------|---------------------------------------------|----------------------------------|----------------------------------|
|                                                                                    | 2016                                                    | 2015                                        | 2016 vs. 2015                    | 2016 vs. 2015                    |
|                                                                                    | (\$ in Millions)                                        |                                             |                                  |                                  |
| <b>Statements of Income Data:</b>                                                  |                                                         |                                             |                                  |                                  |
| <b>Revenue:</b>                                                                    |                                                         |                                             |                                  |                                  |
| Premiums, annuity considerations and fund deposits .....                           | \$ 5,731                                                | \$ 5,393                                    | \$ 338                           | 6.3%                             |
| Net investment income.....                                                         | 1,553                                                   | 1,439                                       | 114                              | 7.9%                             |
| Amortization of interest maintenance reserve .....                                 | 85                                                      | 83                                          | 2                                | 2.4%                             |
| Other income.....                                                                  | 214                                                     | 188                                         | 26                               | 13.8%                            |
| Total revenue.....                                                                 | \$ 7,583                                                | \$ 7,103                                    | \$ 480                           | 6.8%                             |
| <b>Benefits and expenses:</b>                                                      |                                                         |                                             |                                  |                                  |
| Benefit payments to policyholders and beneficiaries.....                           | \$ 3,179                                                | \$ 3,038                                    | \$ 141                           | 4.6%                             |
| Net additions to policy benefit reserves.....                                      | 1,753                                                   | 1,578                                       | 175                              | 11.1%                            |
| Commissions and operating expenses .....                                           | 1,574                                                   | 1,421                                       | 153                              | 10.8%                            |
| Total benefits and expenses .....                                                  | \$ 6,506                                                | \$ 6,037                                    | \$ 469                           | 7.8%                             |
| Gain from operations before dividends and federal income taxes .....               | 1,077                                                   | 1,066                                       | 11                               | 1.0%                             |
| Dividends to policyholders <sup>(1)</sup> .....                                    | (624)                                                   | (580)                                       | (44)                             | 7.6%                             |
| Gain from operations before federal income taxes .....                             | \$ 453                                                  | \$ 486                                      | \$ (33)                          | (6.8)%                           |
| Federal income tax expense.....                                                    | (135)                                                   | (60)                                        | (75)                             | 125.0%                           |
| Income from operations before net realized capital gains .....                     | \$ 318                                                  | \$ 426                                      | \$ (108)                         | (25.4)%                          |
| Net realized capital (losses) gains.....                                           | (15)                                                    | 98                                          | (113)                            | (115.3)%                         |
| Net income .....                                                                   | \$ 303                                                  | \$ 524                                      | \$ (221)                         | (42.2)%                          |
|                                                                                    | <b>Nine Months<br/>Ended<br/>September 30,<br/>2016</b> | <b>Year Ended<br/>December 31,<br/>2015</b> | <b>\$ Change<br/>2016 v 2015</b> | <b>% Change<br/>2016 v. 2015</b> |
| <b>Balance Sheet Data:</b>                                                         |                                                         |                                             |                                  |                                  |
| <b>Assets:</b>                                                                     |                                                         |                                             |                                  |                                  |
| Total assets.....                                                                  | \$ 51,194                                               | \$ 48,121                                   | \$ 3,073                         | 6.4%                             |
| <b>Liabilities and surplus:</b>                                                    |                                                         |                                             |                                  |                                  |
| Reserves for policy benefits .....                                                 | \$ 38,817                                               | \$ 37,031                                   | \$ 1,786                         | 4.8%                             |
| Policyholder dividends payable and other contract liabilities <sup>(2)</sup> ..... | 2,788                                                   | 2,189                                       | 599                              | 27.4%                            |
| Current federal and foreign income taxes .....                                     | 46                                                      | -                                           | 46                               | n/a                              |
| Interest maintenance reserve .....                                                 | 496                                                     | 373                                         | 123                              | 33.0%                            |
| Asset valuation reserve.....                                                       | 814                                                     | 798                                         | 16                               | 2.0%                             |
| Other liabilities.....                                                             | 1,974                                                   | 1,640                                       | 334                              | 20.4%                            |
| Total liabilities .....                                                            | \$ 44,935                                               | \$ 42,031                                   | \$ 2,904                         | 6.9%                             |
| Surplus .....                                                                      | 6,259                                                   | 6,090                                       | 169                              | 3.2%                             |
| Total liabilities and surplus .....                                                | \$ 51,194                                               | \$ 48,121                                   | \$ 3,073                         | 6.4%                             |

(1) Dividends to policyholders are discretionary and subject to the approval of Guardian's Board of Directors.

(2) Statutory accounting practices require that the liability for policyholders' dividends include dividends currently payable and the full amount of dividends apportioned for payment over the 12 months following the date of the applicable payment.

## Net Income

Guardian's statutory net income was \$303 million for the period ended September 30, 2016, a \$221 million decrease from \$524 million for the period ended September 30, 2015, primarily due to net realized capital (losses)/gains after taxes and transfers to Interest Maintenance Reserve ("IMR") and federal income tax (expense). Total revenue increased \$480 million from \$7.103 billion for the nine months ended September 30, 2015 to \$7.583 billion for the nine months ended September 30, 2016, driven primarily by an increase in premiums, annuity considerations and fund deposits and net investment income. Total benefits and expenses increased \$469 million from \$6.037 billion for the nine months ended September 30, 2015 to \$6.506 billion for the nine months ended September 30, 2016, primarily due to an increase in benefit payments to policyholders and beneficiaries, net increases to policy benefit reserves, and commissions and other operating expenses.

## Premium income, annuity considerations and fund deposits

Selected premium income, annuity considerations and fund deposits information is presented below for the nine months ended September 30, 2016 and 2015:

|                                          | Nine Months Ended<br>September 30, |                 | \$ Change    | % Change    |
|------------------------------------------|------------------------------------|-----------------|--------------|-------------|
|                                          | 2016                               | 2015            |              |             |
|                                          | (\$ in Millions)                   |                 |              |             |
| <b>Premium income:</b>                   |                                    |                 |              |             |
| Whole life .....                         | \$ 2,655                           | \$ 2,523        | \$ 132       | 5.2%        |
| Disability .....                         | 347                                | 329             | 18           | 5.5%        |
| Term, universal, and variable life ..... | 87                                 | 86              | 1            | 1.2%        |
| Group .....                              | 2,640                              | 2,453           | 187          | 7.6%        |
| Reinsurance .....                        | 2                                  | 2               | -            | -%          |
| Total .....                              | <u>\$ 5,731</u>                    | <u>\$ 5,393</u> | <u>\$338</u> | <u>6.3%</u> |

For the nine months ended September 30, 2016, premium income as compared to the nine months ended September 30, 2015 increased \$338 million, primarily due to an increase in group premium income of \$187 million as a result of better persistency and in-group growth, and an increase in whole life premium income of \$132 million due to favorable persistency and in force growth.

## Net Investment Income

For the nine months ended September 30, 2016, net investment income, including IMR amortization, increased \$116 million as compared to the nine months ended September 30, 2015, primarily due to higher income distributions from private equity investments and higher bond income, offset partially by a reduction in income distributions received from real estate joint ventures and affiliated limited liability companies in the first nine months of 2016 as compared to the first nine months of 2015.

## Benefit payments to policyholders and beneficiaries

Benefit payments to policyholders and beneficiaries increased \$141 million in the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015. The increase is primarily due to an increase in paid claims for all accident and health lines and unfavorable mortality.

## Additions to policy benefit reserves

Net additions to policy benefit reserves increased \$175 million in the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015. The policyholders' reserves increased primarily due to natural growth in the Individual Markets business and increased claims and premiums in the Group and Worksite Markets business partially offset by higher open and pending claim terminations in Individual Disability.

## Commissions and operating expenses

Commissions and operating expenses increased \$153 million in the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015, primarily due to premium growth from better persistency and higher sales and reserve adjustment on reinsurance assumed on transfers of modified coinsurance reserves under the reinsurance treaty with GIAC.

## Dividends to Policyholders

Dividends to policyholders increased \$44 million for the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015, primarily due to higher cash values and lower expenses reflecting the aging of insurance in force and a change in the dividend scale.

## Guardian Federal Income Tax Expense

Federal income tax expense on operations increased \$75 million for the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015, primarily driven by the release of contingent taxes and prior period adjustments.

## Net Realized Capital Gains After Tax and Transfers to IMR

Net realized capital gains after taxes and transfers to IMR were comprised of the following:

|                                                                                   | As of September 30, |            | \$ Change    |
|-----------------------------------------------------------------------------------|---------------------|------------|--------------|
|                                                                                   | 2016                | 2015       |              |
| <b>Total net realized capital gains (losses) after taxes and transfers to IMR</b> |                     |            |              |
| Bonds                                                                             | \$ 363              | \$ 141     | \$ 222       |
| Preferred stocks                                                                  | (8)                 | 5          | (13)         |
| Common stocks—unaffiliated                                                        | 11                  | (7)        | 18           |
| Real estate                                                                       | 28                  | 1          | 27           |
| Derivatives and other invested assets                                             | <u>(57)</u>         | <u>232</u> | <u>(289)</u> |
| Net realized capital gains before deferral to the IMR                             | 337                 | 372        | (35)         |
| Capital gains tax expense                                                         | 144                 | 147        | (3)          |
| Transfer to IMR                                                                   | <u>208</u>          | <u>127</u> | <u>81</u>    |
| <b>Total net realized capital gains after taxes and transfers to IMR</b>          | \$ (15)             | \$ 98      | \$ (113)     |

The book values of investments are written down when a decline in value is considered to be other-than-temporary. For the nine months ended September 30, 2016, Guardian recognized \$43 million of impairment losses. Guardian employs a systematic methodology to evaluate other-than-temporary impairments. The methodology to evaluate declines in value utilizes a quantitative and qualitative process that attempts to evaluate available evidence concerning the declines in a disciplined manner. All of the \$43 million of other-than-temporary impairments were related to investments in private equity limited partnerships. For the nine months ended September 30, 2015, Guardian recognized \$10 million in impairment losses on public bonds.

Realized capital gains after tax and transfers to IMR do not reflect the changes in Asset Value Reserve (“AVR”) and other investment reserves, which are recorded as a change in surplus.

**Bonds:** Net realized capital gains after IMR increased \$141 million in the nine months ended September 30, 2016 as compared to the nine months ended September 30, 2015, primarily driven by Guardian trading activity during 2016. There were no other-than-temporary impairments in the bond portfolio during the first nine months of 2016 and \$10 million of other-than-temporary impairments during the first nine months of 2015.

**Derivatives and other invested assets:** Derivative instruments and other invested assets had realized losses of \$57 million for the nine months ended September 30, 2016 as compared to realized gains of \$232 million for the nine months ended September 30, 2015. There were \$43 million in other-than-temporary impairments during the first nine months of 2016 in this category as compared to \$0 million during the first nine months of 2015. Real Estate Joint Venture losses totaled \$2 million for the nine months ended September 30, 2016 as compared to \$53 million in realized gains for the first nine months ended September 30, 2015. Realized losses on futures contracts totaled \$7 million during the first nine months of 2016 as compared to realized losses of \$4 million during the first nine months of 2015. In addition, credit default swap contracts realized losses totaled \$5 million during the first nine months of 2016 as compared to \$0 in the first nine months of 2015. During the first nine months of 2015, forward foreign currency contracts generated a realized gain of \$34 million as compared to \$0 in the first nine months of 2016. Also, during the first nine months of 2015, an affiliated limited liability company was sold at a gain of \$149 million. There was no comparable gain in the first nine months of 2016.

For the first nine months ended September 30, 2016, \$208 million of net after-tax gains were deferred into the IMR primarily from gains on sales of bonds in the normal course of business. For the first nine months ended September 30, 2015, \$127 million of gains were deferred into the IMR due to gains on bond sales. Gains/losses deferred to the IMR are amortized into income over the estimated life of the investment sold.

### **Assets**

Total assets as of September 30, 2016 increased \$3.073 billion, or 6.4%, as compared to December 31, 2015. The major component of the growth in assets was invested assets partially offset by a decrease in current federal and foreign income tax recoverable and other assets.

Total invested assets as of September 30, 2016 increased by \$3.162 billion, or 7.3%, as compared to December 31, 2015, driven by increases in the bond and common stock portfolios and receivables for securities sold, partially offset by a decrease in cash, equivalents and short term investments.

Total receivables from parent, subsidiaries and affiliates as of September 30, 2016 decreased \$170 million, or 87.6%, as compared to December 31, 2015, due to the transfer of bank loan assets from Guardian to Park Avenue Institutional Advisors. As of September 30, 2016, this intercompany balance has been paid in full.

Total current federal income tax recoverable as of September 30, 2016 decreased by \$101 million, or 100%. As of September 30, 2016, Guardian had a net current federal and foreign income tax payable liability.

### **Liabilities**

Total liabilities as of September 30, 2016 increased \$2.904 billion, or 6.9%, as compared to December 31, 2015, primarily due to increases in reserves for policy benefits and liabilities for deposit-type contracts.

The increase in reserves for policy benefits of \$1.786 billion at September 30, 2016 as compared to December 31, 2015 is primarily related to growth of Individual Markets reserves from aging of the insurance in-force and changes to mean reserves in the Group and Worksite Markets business. The increase in the liability for deposit-type contracts of \$507 million at September 30, 2016 as compared to December 31, 2015 was primarily due to the liability for the funding agreement issued during the second quarter of 2016.

AVR increased \$16 million, or 2.0%, at September 30, 2016 as compared to December 31, 2015, primarily due to the basic contribution requirement in the AVR formula. The mortgage loan AVR component was down \$1 million at September 30, 2016 as compared to December 31, 2015. At September 30, 2016, \$356 million is reserved for bonds, preferred stock, short-term investments and derivatives, up \$54 million from December 31, 2015, \$32 million is reserved for mortgage loans at September 30, 2016 as compared to \$33 million at December 31, 2015, \$152 million is reserved for common stock, up \$32 million from December 31, 2015, and \$274 million is reserved for real estate and other invested assets, down \$69 million from December 31, 2015.

### **Surplus**

Surplus increased \$169 million from \$6.090 billion at December 31, 2015 to \$6.259 billion at September 30, 2016. The increase in surplus was primarily due to net income of \$303 million partially offset by net investment losses of \$137 million.



## HISTORICAL SUMMARY FINANCIAL INFORMATION

The following table sets forth historical summary financial information for Guardian. You should read it in conjunction with “Financial and Accounting Matters,” “Selected Historical Statutory Financial Information of Guardian,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and the Statutory Financial Statements included elsewhere in this Memorandum. The summary financial information for Guardian at and for each of the fiscal years in the three-year period ended December 31, 2015 has been derived from the Statutory Financial Statements included elsewhere in this Memorandum.

The preparation of financial statements of life insurance companies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results may differ from estimates. Historical results are not necessarily indicative of results for any future period.

The financial information of Guardian included in this Memorandum is presented in accordance with SAP. Statutory accounting is used by state insurance regulators to monitor the operations of insurance companies. Financial statements prepared under SAP vary from those prepared under GAAP in certain significant respects. For a description of the accounting principles applicable to the financial information shown in this Memorandum and certain differences between SAP and GAAP, see “Financial and Accounting Matters—Summary of Principal Differences Between SAP and GAAP.”

The following historical summary financial information also includes certain information relating to GIAC, BLICOA, FCW and GIS at and for each of the fiscal years in the three-year period ended December 31, 2015. This information is derived from the audited financial statements of GIAC, BLICOA, FCW and GIS at and for each of the three years in the fiscal period ended December 31, 2015, which are not included in this Memorandum. GIAC and BLICOA prepare financial statements on the basis of SAP. FCW and GIS prepare financial statements on a GAAP basis.

Guardian’s major subsidiaries include BLICOA, GIAC, FCW and GIS. BLICOA is a wholly-owned stock life insurance company domiciled in Massachusetts. It writes individual disability income insurance including multi-life and disability income. BLICOA has historically had a positive impact on Guardian’s financial position as a result of its positive underwriting results, which have increased BLICOA’s underlying net equity and the value of Guardian’s investment in BLICOA. BLICOA’s net equity is a component of Guardian’s statutory surplus. From 2011 to 2015, BLICOA earned annual net income in the range of \$14 million to \$60 million. GIAC is a wholly owned stock life insurance company domiciled in Delaware. GIAC sells individual variable and fixed annuities, universal life insurance with secondary guarantees, and variable life insurance products. GIAC has historically had a positive impact on Guardian’s financial position; however, GIAC’s earnings are significantly impacted by the performance of its assets under management, which is directly linked to market performance, and hedging. From 2011 to 2015, GIAC earned annual net operating income before realized capital gains and losses in the range of \$11 million in 2011 to \$52 million in 2015, and annual net income after realized capital gains and losses in the range of \$0 million in 2011 to \$(24) million in 2015, with losses driven primarily by losses under the GMWB hedging program.

FCW is a wholly-owned stock company domiciled in Delaware. It provides dental insurance and government program vision, dental and hearing products through various subsidiaries. FCW has historically had a positive impact on Guardian’s financial position as a result of its positive underwriting results, which have increased FCW’s underlying net equity and the value of Guardian’s investment in FCW. FCW’s net equity is a component of Guardian’s statutory surplus. From 2011 to 2015, FCW earned annual net income in the range of \$4 million to \$21 million. GIS is a wholly-owned non-insurance limited liability company domiciled in Delaware and serves as the organizational focal point for various non-insurance and fee-oriented businesses owned and operated by Guardian as part of its overall growth strategy. Operated through various subsidiaries, GIS’s businesses include third party asset management services provided to institutional counterparts, certain strategic and real estate investment activities, as well as non-insurance service businesses such as absence management and supporting the operation of dental clinics through its dental support organization subsidiaries. GIS’s net equity is a component of Guardian’s statutory surplus. In 2012 and 2011, GIS had net losses of \$4 million. In 2014 and 2013, GIS had net

income of \$21 million and \$4 million, respectively. In 2015, GIS had a net loss of \$170 million driven primarily by the loss from discontinued operations of RS Investment Management Co. LLC.

Historical selected financial information is being provided regarding BLICOA, GIAC, FCW and GIS due to their contribution to the financial condition of Guardian.

Guardian accounts for the value of its investments in subsidiaries at their underlying net equity. Net investment income is recorded by Guardian to the extent that dividends are declared by its subsidiaries. For the years ended December 31, 2015, 2014 and 2013, Guardian received an aggregate of \$43 million, \$324 million, and \$3 million, respectively, in cash dividends from its subsidiaries. The dividend in 2014 consisted of cash and \$305 million in mortgages and private placement bonds Guardian received from BLICOA. Operating results, less dividends declared, for such subsidiaries are reflected as net unrealized capital gains in the Statutory Statements of Changes in Surplus.

Guardian has not historically relied on dividends from its subsidiaries to meet its operating cash flow requirements. In addition, for life insurance subsidiaries, including BLICOA and GIAC, substantially all of their statutory surplus of approximately \$518 million, \$572 million and \$832 million, on a combined basis, at December 31, 2015, 2014 and 2013, respectively, is subject to regulatory restrictions and limitations on the amount of dividends or other distributions that may be made without approval from regulators. As noted above, for the years ended December 31, 2015, 2014 and 2013, Guardian received an aggregate of \$43 million, \$324 million and \$3 million, respectively, in cash dividends from its subsidiaries.

|                                                                      | Years Ended December 31, |          |           | \$ Change     | % Change      | \$ Change     | % Change      |
|----------------------------------------------------------------------|--------------------------|----------|-----------|---------------|---------------|---------------|---------------|
|                                                                      | 2015                     | 2014     | 2013      | 2015 vs. 2014 | 2015 vs. 2014 | 2014 vs. 2013 | 2014 vs. 2013 |
|                                                                      | (\$ in Millions)         |          |           |               |               |               |               |
| <b>Statements of Income Data:</b>                                    |                          |          |           |               |               |               |               |
| <b>Revenue:</b>                                                      |                          |          |           |               |               |               |               |
| Premiums, annuity considerations and fund deposits .....             | \$ 7,334                 | \$ 6,999 | \$ 8,734  | \$ 335        | 4.8%          | \$ (1,735)    | (19.9%)       |
| Net investment income .....                                          | 1,985                    | 2,146    | 1,765     | (161)         | (7.5%)        | 381           | 21.6%         |
| Other income .....                                                   | 376                      | 397      | 407       | (21)          | (5.3%)        | (10)          | (2.5%)        |
| Total revenue .....                                                  | \$ 9,695                 | \$ 9,542 | \$ 10,906 | \$ 153        | 1.6%          | \$ (1,364)    | (12.5%)       |
| <b>Benefits and expenses:</b>                                        |                          |          |           |               |               |               |               |
| Benefit payments to policyholders and beneficiaries .....            | \$ 4,104                 | \$ 3,858 | \$ 3,659  | \$ 246        | 6.4%          | \$ 199        | 5.4%          |
| Net additions to policy benefit reserves .....                       | 2,137                    | 2,172    | 4,051     | (35)          | (1.6%)        | (1,879)       | (46.4%)       |
| Commissions and operating expenses .....                             | 2,048                    | 1,997    | 2,071     | 51            | 2.6%          | (74)          | (3.6%)        |
| Total benefits and expenses .....                                    | \$ 8,289                 | \$ 8,027 | \$ 9,781  | \$ 262        | 3.3%          | \$ (1,754)    | (17.9%)       |
| Gain from operations before dividends and federal income taxes ..... | 1,406                    | 1,515    | 1,125     | (109)         | (7.2%)        | 390           | 34.7%         |
| Dividends to policyholders <sup>(1)</sup> .....                      | (826)                    | (778)    | (770)     | (48)          | 6.2%          | (8)           | 1.0%          |
| Gain from operations before federal income taxes .....               | \$ 580                   | \$ 737   | \$ 355    | (157)         | (21.3%)       | \$ 382        | 107.6%        |
| Federal income tax (expense) benefit .....                           | (82)                     | (102)    | (135)     | 20            | (19.6%)       | 33            | (24.4%)       |
| Income from operations before net realized capital gains .....       | \$ 498                   | \$ 635   | \$ 220    | \$ (137)      | (21.6%)       | \$ 415        | 188.6%        |
| Net realized capital gains .....                                     | (65)                     | 77       | 66        | (142)         | (184.4%)      | 11            | 16.7%         |
| Net income .....                                                     | \$ 433                   | \$ 712   | \$ 286    | \$ (279)      | (39.2%)       | \$ 426        | 149.0%        |

**Balance Sheet Data:****Assets:**

|                    |           |           |           |          |      |          |      |
|--------------------|-----------|-----------|-----------|----------|------|----------|------|
| Total assets ..... | \$ 48,121 | \$ 45,296 | \$ 42,066 | \$ 2,825 | 6.2% | \$ 3,230 | 7.7% |
|--------------------|-----------|-----------|-----------|----------|------|----------|------|

**Liabilities and surplus:**

|                                    |           |           |           |        |      |          |      |
|------------------------------------|-----------|-----------|-----------|--------|------|----------|------|
| Reserves for policy benefits ..... | \$ 37,031 | \$ 34,856 | \$ 32,685 | \$ 175 | 6.2% | \$ 2,171 | 6.6% |
|------------------------------------|-----------|-----------|-----------|--------|------|----------|------|

|                                                                                    |       |       |       |     |      |    |      |
|------------------------------------------------------------------------------------|-------|-------|-------|-----|------|----|------|
| Policyholder dividends payable and other contract liabilities <sup>(2)</sup> ..... | 2,189 | 2,054 | 1,970 | 135 | 6.6% | 84 | 4.3% |
|------------------------------------------------------------------------------------|-------|-------|-------|-----|------|----|------|

|                                    |     |     |     |      |        |    |      |
|------------------------------------|-----|-----|-----|------|--------|----|------|
| Interest maintenance reserve ..... | 373 | 412 | 387 | (39) | (9.5%) | 25 | 6.5% |
|------------------------------------|-----|-----|-----|------|--------|----|------|

|                               |     |     |     |    |      |    |      |
|-------------------------------|-----|-----|-----|----|------|----|------|
| Asset valuation reserve ..... | 798 | 754 | 686 | 44 | 5.8% | 68 | 9.9% |
|-------------------------------|-----|-----|-----|----|------|----|------|

|                         |       |       |       |     |      |     |       |
|-------------------------|-------|-------|-------|-----|------|-----|-------|
| Other liabilities ..... | 1,640 | 1,528 | 1,326 | 112 | 7.3% | 202 | 15.2% |
|-------------------------|-------|-------|-------|-----|------|-----|-------|

|                         |           |           |           |          |      |          |      |
|-------------------------|-----------|-----------|-----------|----------|------|----------|------|
| Total liabilities ..... | \$ 42,031 | \$ 39,604 | \$ 37,054 | \$ 2,427 | 6.1% | \$ 2,550 | 6.9% |
|-------------------------|-----------|-----------|-----------|----------|------|----------|------|

|               |       |       |       |     |      |     |       |
|---------------|-------|-------|-------|-----|------|-----|-------|
| Surplus ..... | 6,090 | 5,692 | 5,012 | 398 | 7.0% | 680 | 13.6% |
|---------------|-------|-------|-------|-----|------|-----|-------|

|                                     |           |           |           |          |      |          |      |
|-------------------------------------|-----------|-----------|-----------|----------|------|----------|------|
| Total liabilities and surplus ..... | \$ 48,121 | \$ 45,296 | \$ 42,066 | \$ 2,825 | 6.2% | \$ 3,230 | 7.7% |
|-------------------------------------|-----------|-----------|-----------|----------|------|----------|------|

(1) Dividends to policyholders are discretionary and subject to the approval of Guardian's Board of Directors.

(2) Statutory accounting practices require that the liability for policyholders' dividends include dividends currently payable and the full amount of dividends apportioned for payment over the 12 months following the date of the applicable payment.

## RISK FACTORS

### Risk Factors Related to Guardian

***A downgrade or a potential downgrade in Guardian's financial strength ratings could harm its business.***

Ratings are an important factor in the competitive position of life insurance companies. Rating agencies regularly review the financial performance and condition of insurers, including Guardian. As of September 30, 2016, the financial strength ratings for Guardian as assigned by S&P, Moody's, A.M. Best and Fitch were AA+, Aa2, A++ and AA+, respectively. These ratings indicate a rating agency's view of Guardian's ability to meet its obligations to its insureds. These ratings are of interest to policyholders, but are not recommendations to purchase, sell, or hold any particular security.

The rating agencies assign ratings based upon consideration of several qualitative and quantitative factors, including the rated company's operating performance and investment results, risk profile and capital resources. The rating agencies may also consider factors that may be outside of the rated company's control, including changes to general economic conditions. A downgrade in Guardian's ratings could adversely affect, among other things, its ability to sell certain of its products, the rate of contract surrenders and withdrawals, the return on the insurance and annuity products it issues and, ultimately, the results of its operations and its ability to compete for attractive acquisition opportunities. Guardian cannot predict what actions rating agencies may take in the future that could adversely affect its business. As with other companies in the financial services industry, Guardian's ratings could be downgraded or withdrawn at any time and without any notice by any rating agency.

***Guardian's investment portfolio and aspects of Guardian's business are subject to the full range of market risks, including credit, liquidity and equity markets and interest rate risks.***

Guardian's investment portfolio consists primarily of investment grade bonds, mortgage loans and policy loans. The portfolio also contains other investment risks such as public common stock, private equity, real estate, bank loans, CMBS, derivatives and non-investment grade bonds. The main risks facing the portfolio are credit risk, liquidity risk, equity market risk and interest rate risk and real estate-related risks.

Credit risk is the risk that issuers of investments owned by Guardian may default or that other parties may not be able to pay amounts due to Guardian. Guardian seeks to manage credit risk by a risk management process that combines active fundamental credit analysis with quantitative risk management and by portfolio diversification across various asset types, industry sectors and issuers and, in some circumstances, by purchasing credit protection using credit derivatives or using credit replication.

Closely related to credit risk is counterparty risk, which is the risk that counterparties in over-the-counter ("OTC") derivatives transactions may not be able to make required payments. Guardian attempts to reduce its derivative counterparty risk by the exchange of collateral between Guardian and its counterparties. Guardian uses over-the-counter derivatives on a limited basis and has collateral agreements in place with all counterparties, with specific ratings-triggered collateral requirements in place. As of December 31, 2015, the combined market value of all of Guardian's OTC derivatives positions was approximately \$4 million (meaning that Guardian would receive from its counterparties that amount if all transactions are terminated on that date) with a total notional value of approximately \$196 million, and Guardian had net collateral posted by counterparties associated with OTC derivatives positions of approximately \$4 million.

Although Guardian attempts to carefully and actively manage these risks, there can be no assurance that they will be managed successfully. Credit and counterparty risk could be heightened during periods of extreme volatility or disruption in the financial and credit markets. A widening of credit spreads can increase the unrealized losses in Guardian's investment portfolio. The factors affecting the financial and credit markets could lead to other-than-temporary impairments of assets in Guardian's investment portfolio. Impairment of assets could lead to a decrease in Unassigned Surplus.

Liquidity risk is the risk that policyholder mortality experience, demands for life insurance policy loans and surrenders and withdrawals and other funding requirements are greater than the amount of available cash and assets that can readily be converted into cash. Although certain types of investments such as Treasury bonds and short-term investments can be converted to cash easily, investments which are not publicly traded, such as commercial mortgage loans, privately-placed fixed income securities, policy loans, limited partnership interests and equity real estate and certain mortgage-backed and asset-backed securities, generally cannot be as readily liquidated while other investments may be liquidated with higher than usual transaction costs in some market environments. Guardian attempts to manage liquidity risk by holding assets with what it views as sufficient liquidity to pay policyholder life insurance policy loans, surrenders, withdrawals and other cash outflow needs. However, there can be no assurances that Guardian will maintain sufficient liquidity to pay these amounts. Securities that are less liquid are also more difficult to value.

Equity market risk is the risk that stocks decline in value. Equity typically has more mark-to-market volatility than fixed income asset classes and, as a result, regulators assign higher capital charges for public equity investments.

GIAC is a writer of variable annuity products. The account values of these products have been affected by past downturns in the capital markets, especially equity markets. Any future decrease in account values will decrease the fees generated by GIAC's variable annuity products and may increase the level of reserves GIAC must carry to support those variable annuities issued with any associated guarantees.

Currency foreign exchange ("FX") rate risk is the risk that changes in currency markets may increase FX volatility and result in mark-to-market losses for unhedged currency risk.

In order to attempt to reduce the effect of volatility from mark-to-market assets such as equity investments and FX exposure on its statutory surplus, Guardian currently employs a macro dynamic hedging program. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Information about Market Risk—Hedging Programs" for a description of this macro hedging program. There can be no assurances or guarantees that this macro dynamic hedging program will reduce Guardian's equity and FX market risk.

While the dynamic hedging program seeks to protect Guardian's capital from statutory mark-to-market investment losses in accordance with pre-specified risk guidelines, there are various risks that may impact the effectiveness of the program, including operational risks associated with the execution of the program, liquidity risks in the futures markets, availability of suitable instruments to replicate the options, model risks and basis risks between the futures and the underlying portfolios, continuity of trading in the futures markets in periods of distress, and changes in the relevant regulatory environment at the federal and state levels and the cost of hedging. In addition, the macro dynamic hedging program does not protect Guardian's assets that do not have a mark-to-market impact on capital.

Interest rate risk is the risk of loss due to changes in interest rates. Guardian attempts to manage interest rate risk with what it believes to be a rigorous asset/liability management program, including the use of derivatives. This program is designed to limit the effect on surplus of fluctuating interest rates, particularly in situations when liability options in fixed annuities such as those offered by GIAC or options embedded in portfolio assets can be exercised and could adversely impact Guardian's profitability. For example, policyholder life insurance policy loans and surrenders and withdrawals may be higher than expected when interest rates are high, or interest rates may drop so low as to make it difficult to support minimum interest rate guarantees. This latter situation is exacerbated when policyholder deposits are higher than expected. While actions may be taken to mitigate the potential effects of such policyholder options, it is impossible to eliminate all risk. Similarly, some assets may have prepayment rights or call options which might be exercised when interest rates are low and borrowers can benefit from refinancing at lower interest rates. The asset/liability management program attempts to identify such risks and to utilize various instruments, including derivatives, to offset those risks in a cost-effective manner, but there can be no assurances it will be sufficient to significantly reduce or eliminate such risks. See "—Changes in interest rates may adversely affect Guardian's business, results of operations, financial condition and liquidity."

Significant financial and credit market volatility, changes in interest rates and credit spreads, credit defaults, market illiquidity, declines in equity prices, changes in currency exchange rates and declines in general economic conditions, either alone or in combination, could have a material adverse impact on Guardian's business, results of operations and financial condition. In addition, market volatility can make it difficult for Guardian to value certain of its assets, especially if trading becomes less frequent. Valuation may include assumptions or estimates that may have significant period-to-period changes that could have an adverse impact on Guardian's results of operations or financial condition.

***Some of Guardian's investments are relatively illiquid and are in asset classes that could experience significant market valuation fluctuations.***

Guardian holds certain investments that lack liquidity, such as privately placed fixed income securities, commercial mortgage whole loans, non-agency residential mortgage-backed securities, asset-backed securities, commercial mortgage-backed securities, policy loans, equity real estate, including real estate joint ventures and other limited partnership interests. These asset classes represented 45% of the carrying value of Guardian's total cash and invested assets as of December 31, 2015. Investments in partnerships and LLCs, which represented approximately 4.4% of the carrying value of Guardian's total cash and invested assets as of December 31, 2015, may produce investment income which fluctuates from period to period and are less predictable and more variable than may be the case with more conventional asset classes. In addition, many of these assets have limitations on redemptions and trading, which may cause them to be less liquid than more conventional asset classes, such as publicly traded bonds and equities.

In addition, as of December 31, 2015, Guardian had future funding commitments relating to investments in partnerships and unaffiliated LLCs of \$880 million. If Guardian were to require significant amounts of cash on short notice in excess of normal cash requirements or were required to return or post collateral in connection with its investment portfolio or derivatives transactions, Guardian could have difficulty selling these investments in a timely manner, be forced to sell them for less than it otherwise would have been able to realize, or both.

The reported value of Guardian's relatively illiquid types of investments, its investments in the asset classes described in the paragraph above and, at times, its higher quality, generally liquid asset classes, do not necessarily reflect the lowest current market price for the asset. If Guardian were forced to sell certain of its assets in a distressed market, there can be no assurance that it will be able to sell them for the prices at which it has recorded them and it could be forced to sell them at significantly lower prices. Moreover, Guardian's ability to sell such assets may be limited if other market participants are seeking to sell at the same time. See "—The determination of the amount of allowances and impairments taken on Guardian's investments is highly subjective and could materially impact its results of operations or financial position."

***Guardian's valuation of fixed maturity, equity and trading securities may include methodologies that are subject to significant uncertainties and could result in changes to investment valuations that may materially adversely affect its results of operations or financial condition.***

Guardian utilizes independent external pricing services such as FT Interactive Data Corp, Bloomberg and Markit for security pricing. During periods of market disruption, it may be difficult to value certain of Guardian's securities if trading becomes less frequent and/or market data becomes less observable. There may be certain assets or asset classes that were in active markets with significant observable data that become illiquid due to an adverse financial environment or volatile market conditions. As a result, valuations may include inputs and assumptions that are less observable or require greater estimation and judgment as well as valuation methods which are more complex. These values may not be ultimately realizable in a market transaction, and such values may change very rapidly as market conditions change and valuation assumptions are modified. Decreases in value may have a material adverse effect on Guardian's results of operations or financial condition.

Failure to properly value Guardian's investments could result in losses, thereby adversely affecting Guardian's Unassigned Surplus.

***The determination of the amount of allowances and impairments taken on Guardian's investments is highly subjective and could materially impact its results of operations or financial position.***

The determination of the amount of allowances and impairments vary by investment type and is based on Guardian's periodic case-by-case evaluation and assessment of known and inherent risks associated with the respective asset class. Such evaluations and assessments are revised as conditions change and new information becomes available. Management updates its evaluations regularly and reflects changes in allowances and impairments in operations as such evaluations are revised. Such evaluations and assessments can change significantly from period to period, especially in times of high market volatility. Market volatility can make it more difficult to value Guardian's securities if trading in such securities becomes less frequent. In addition, a forced sale by holders of large amounts of a security, whether due to insolvency, liquidity or other issues with respect to such holders, could result in declines in the price of a security. There can be no assurance that management has accurately assessed the level of impairments taken and allowances reflected in the financial statements. Furthermore, additional impairments may need to be taken or allowances provided for in the future. Historical trends may not be indicative of future impairments or allowances. The amount of impairments can affect the amount of Unassigned Surplus.

The book value of Guardian's fixed income investments and the cost of equity securities is adjusted for impairments in value deemed to be other-than-temporary in the period in which the determination is made. The assessment of whether impairments have occurred is based on management's case-by-case evaluation of the underlying reasons for the decline in fair value. The decision to record an other-than-temporary impairment or write-down is determined by management's assessment of the financial condition and prospects of a particular issuer, projections of future cash flows, and recoverability of the particular security, as well as evaluation of Guardian's ability and intent to hold the securities for a period of time to allow for a recovery of value. Management's conclusions on such assessments may ultimately prove to be incorrect as facts and circumstances change.

The review of Guardian's fixed income and equity securities for impairments includes an analysis of the total gross unrealized losses by three categories of securities: (i) securities where the estimated fair value had declined and remained below cost or amortized cost by less than 20%; (ii) securities where the estimated fair value had declined and remained below cost or amortized cost by 20% or more for less than twelve months; and (iii) securities where the estimated fair value had declined and remained below cost or amortized cost by 20% or more for twelve months or greater. At December 31, 2015, of Guardian's total gross unrealized losses of \$858 million, approximately 69% related to securities falling into category (i), 18% related to securities falling into category (ii) and less than 13% related to securities falling into category (iii).

In addition, Guardian's management considers a wide range of factors about the security issuer and uses its best judgment in evaluating the cause of the decline in the estimated fair value of the security and in assessing the prospects for near-term recovery. Inherent in management's evaluation of the security are assumptions and estimates about the operations of the issuer and its future earnings potential. Considerations in the impairment of a commercial mortgage include, but are not limited to, the following: (i) significant change in the occupancy level of the underlying property; (ii) significant change in the rental rates; (iii) bankruptcy filings of major tenants; (iv) catastrophic events; and (v) other subjective factors. There can be no assurance Guardian's management will correctly assess allowances and impairments on its investments, which could lead to investment losses that adversely affect its Unassigned Surplus.

***Defaults on commercial mortgage loans and volatility in performance may adversely affect Guardian's results of operations and financial condition.***

Commercial mortgage loans face delinquency and default risk. In addition, future refinancing risks for commercial mortgage loans have resulted in declining values on certain of such instruments. Commercial mortgage loans are carried at amortized cost under SAP. Guardian establishes valuation allowances for estimated impairments as of the balance sheet date. Such valuation allowances are based on the excess carrying value of the loan over the present value of expected future cash flows discounted at the loan's original effective interest rate or the value of the loan's collateral if the loan is in the process of foreclosure or otherwise collateral dependent. Guardian also establishes allowances for loan losses when a loss contingency exists for pools of loans with similar characteristics, such as mortgage loans based on similar property types or loan to value risk factors.

As of December 31, 2015, Guardian held \$3.4 billion (carrying value) of commercial real estate mortgage loans. The fair value of Guardian's commercial mortgage loan portfolio as of December 31, 2015 was \$3.5 billion, and there were no loans that were either delinquent or in the process of foreclosure as of December 31, 2015. The performance of Guardian's commercial mortgage loan investments, however, may fluctuate in the future. An increase in the default rate of Guardian's commercial mortgage loan investments or a borrower's inability to refinance or pay off its loan at maturity could have an adverse effect on Guardian's results of operations and financial condition, which could reduce the amount of Guardian's Unassigned Surplus. In addition, 31.1% of the aggregate principal amount of Guardian's commercial mortgage loans are scheduled to mature in the next three years. If these loans are not refinanced or paid in full at maturity, Guardian's mortgage loan investments could be adversely affected.

Any geographic or sector concentration of Guardian's commercial mortgage loans may have adverse effects on its investment portfolios and, consequently, on its results of operations or financial condition. While Guardian seeks to mitigate this risk by having a broadly diversified portfolio, events or developments that have a negative effect on any particular geographic region or sector may have a greater adverse effect on its investment portfolios to the extent that the portfolio is concentrated.

***Changes in interest rates may adversely affect Guardian's business, results of operations, financial condition and liquidity.***

The profitability of the life insurance and annuity businesses of Guardian and its insurance subsidiaries is sensitive to interest rate changes, which could adversely affect Guardian's investment returns and results of operations. Periods of high or increasing rates have the potential to negatively affect Guardian's profitability in the following principal ways:

- In periods of increasing interest rates, life insurance policy loans, as well as surrenders and withdrawals on life insurance and annuity products may increase as policyholders seek investments with higher perceived returns. As of December 31, 2015, GIAC had outstanding \$1.0 billion of annuities that were subject to surrender at book value without a surrender charge. This could result in cash outflows requiring GIAC to sell invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which could cause Guardian to suffer realized investment losses. As of December 31, 2015, GIAC had bond assets with a carrying value of \$118 million maturing on or prior to December 31, 2016.
- The income from certain of the insurance and annuity products of Guardian and its insurance subsidiaries is derived from the spread between the crediting rate it is required to pay under the contracts and the rate of return it is able to earn on its general account investments supporting such contracts. When interest rates rise, Guardian may face competitive pressure to increase crediting rates on such contracts. Guardian may increase its crediting rates more quickly than corresponding changes to the rates it earns on its general account investments, thereby reducing its spreads in respect of such contracts. This risk is heightened in the current market and economic environment, in which many securities with higher yields are unavailable. An increase in interest rates would also adversely affect the fair values of Guardian's fixed income securities.

U.S. long-term interest rates remain at relatively low levels by historical standards. Periods of low interest rates have the potential to negatively affect Guardian's profitability in the following principal ways:

- Low interest rates tend to decrease the yield Guardian earns on its portfolio of fixed income investments. This could in turn compress the spreads Guardian and its insurance subsidiaries earn on products, such as universal life and certain annuities, on which they are contractually obligated to pay customers a fixed minimum rate of interest. Should new money interest rates continue to be sufficiently below guaranteed minimum rates for a long enough period, Guardian and its insurance subsidiaries may be required to pay policyholders or annuity owners at a higher rate than the rate of return they earn on their respective portfolios of investments supporting those products.



- In periods of low interest rates, Guardian generally must invest the proceeds from the maturity, redemption or sale of fixed income securities from its portfolio at a lower rate of interest than the rate it had been receiving on those securities. A low interest rate environment may also be likely to cause redemptions and prepayments to increase. In addition, in periods of low interest rates, it may be difficult to identify and acquire suitable investments for proceeds from new product sales or proceeds from the maturity, redemption or sale of fixed income securities from Guardian's portfolio, which could further decrease the yield it earns on its portfolio or cause Guardian to reduce the sales of some products.

***Guardian's exposure to credit spreads could adversely affect its results of operations, financial condition and liquidity.***

Guardian's exposure to credit spreads primarily relates to market price and cash flow variability associated with changes in credit spreads. A widening of credit spreads increases the net unrealized loss position of the fixed income investment portfolio and, if issuer credit spreads increase significantly or for an extended period of time, would likely result in higher other-than-temporary impairments. Credit spread tightening would reduce net investment income associated with new purchases of fixed income securities.

In addition, market volatility can make it difficult to value certain of Guardian's securities if trading becomes less frequent. As such, valuations of securities may include assumptions or estimates that may change significantly from period to period. This could increase the net unrealized loss position of Guardian's fixed income investment portfolio and increase other-than-temporary impairments, which could have a material adverse effect on Guardian's results of operations, financial condition or liquidity, which could reduce the amount of Guardian's Unassigned Surplus.

***Sustained or significant deterioration in economic conditions could adversely affect Guardian's business.***

Generally weak economic conditions may have a negative impact on Guardian's operating activities. Factors such as consumer spending, business investment, government spending, the volatility and strength of the capital markets and inflation affect the business and economic environment and, ultimately, the amount and profitability of Guardian's business. In economic conditions characterized by higher unemployment, lower family income, lower business investment and lower consumer spending, the demand for Guardian's financial and insurance products could be adversely affected. In addition, elevated incidence of claims and lapses or surrenders of policies may occur. Policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Adverse changes in the economy could affect Guardian's earnings negatively and could have a material adverse effect on its business, results of operations and financial condition.

In addition, Guardian is susceptible to risks associated with the potential financial instability of the vendors on which Guardian relies to provide services or to whom it delegates certain functions. The same conditions that may affect Guardian's customers also could adversely affect its vendors, causing them to significantly and quickly increase their prices or reduce their output. Guardian's business depends on its ability to perform, in an efficient and uninterrupted fashion, its necessary business functions, and any interruption in the services provided by third parties could also adversely affect Guardian's cash flow, profitability and financial condition.

***Guardian is subject to extensive regulation, which restricts its operations and imposes compliance costs.***

Guardian and its insurance subsidiaries are subject to extensive regulatory oversight. Although Guardian endeavors to maintain all required licenses and approvals, its businesses may not fully comply with the wide variety of applicable laws and regulations or the relevant authority's interpretation of the laws and regulations, which may change from time to time. Also, state regulatory authorities have relatively broad discretion to grant, renew or revoke licenses and approvals. If Guardian does not have the requisite licenses and approvals or does not comply with applicable regulatory requirements, the insurance regulatory authorities could preclude or temporarily suspend Guardian from carrying on some or all of its activities or impose substantial fines. Further, insurance regulatory authorities have relatively broad discretion to issue orders of supervision, which permit such authorities to supervise the business and operations of an insurance company.

State insurance regulators and the NAIC continually reexamine existing laws and regulations and may impose changes in the future that put further regulatory burdens on insurers and that may have an adverse effect on Guardian's business, results of operations and financial condition. Guardian's business also could be adversely affected by regulations or changes in state law relating to standards of minimum capital requirements and solvency, including RBC measurements, asset and reserve valuation requirements, surplus limits, limitations on investments, limitations on transactions with affiliates, risk-based capital requirements and premium taxes or other regulatory or tax matters. In addition, from time to time regulators raise issues during examinations or audits that could, if determined adversely, have a material impact on Guardian. Guardian cannot predict whether or when regulatory actions may be taken that could adversely affect its operations.

Guardian's insurance business is subject to regulation with respect to policy rates, minimum guarantees and related matters. In addition, assessments are levied against Guardian as a result of mandatory participation in various types of state guaranty associations, which are state associations designed to protect policyholders in the event of insolvencies of insurers. The amounts of such assessments are highly unpredictable and could increase significantly if there is an increase in the number or size of insurance companies which become insolvent or subject to rehabilitation. The net amount of such assessments against Guardian was approximately \$0.7 million, \$4 million and \$20 million for 2015, 2014 and 2013, respectively. These amounts may not be an indication of future levels of assessments. See "Business of Guardian—Regulation."

Guardian is domiciled in the State of New York and the State of New York accounts for more premium income volume for Guardian than any other state, approximately 18.38% in 2015, 18.46% in 2014 and 18.75% in 2013. Accordingly, changes in New York laws and regulations that apply to business written in New York can affect Guardian disproportionately relative to its competitors. Examples of such changes include increases in premium taxes and resulting retaliatory taxes, other types of assessments, potentially higher reserve and capital requirements and changes such as with respect to disclosure of producer compensation that might have a less direct effect.

Furthermore, limited aspects of Guardian's dental business are subject to the Patient Protection and Affordable Care Act ("ACA"). In the small group market, ACA mandates a minimal level of benefits for pediatric dental care (the "Pediatric Mandate"), which may be sold separately as a stand-alone dental product or embedded in a medical product. The Pediatric Mandate is subject to some of the reform mandates imposed by ACA and may be subject to additional new state-by-state requirements as health care reform is implemented throughout the U.S. in the future. Such mandates could impact Guardian's ability to offer the Pediatric Mandate in the small group market either on or off the federal or state exchanges in future years.

Certain of Guardian's direct and indirect subsidiaries, as well as certain policies and contracts sold by them, are subject to various forms of regulation under the federal securities laws administered by the SEC. The Financial Industry Regulatory Authority, Inc. ("FINRA"), a securities self-regulatory organization, as well as the states in which certain of Guardian's direct and indirect subsidiaries offer securities products, provide investment advisory services, or conduct other securities-related activities, also regulate aspects of Guardian's securities-related businesses. These subsidiaries could be restricted in the conduct of their securities-related businesses should they fail to comply with such laws and regulations. Legal proceedings and regulatory investigations and inquiries with respect to revenue sharing, sales to seniors, and other aspects of the mutual fund and variable annuity businesses are ongoing and expected to continue in the future and could result in legal precedents, as well as new industry-wide legislation, rules, or regulations that could significantly affect the financial services industry, including mutual fund and variable annuity companies affiliated with Guardian. Future laws and regulations, or the interpretation thereof, could materially and adversely affect Guardian's business, results of operations and financial condition.

Federal legislation and administrative policies in certain areas, including employee benefit plan regulation and individual retirement account regulation, federal taxation and securities regulation, could significantly affect the insurance industry and the costs faced by its participants. For example, in April 2016, the U.S. Department of Labor (the "DOL") finalized regulations which expand the circumstances in which sales personnel, such as agents and registered representatives, or service providers to employee benefit plans and individual retirement accounts (IRAs) are considered fiduciaries under ERISA. The fiduciary rule is scheduled to take effect in April 2017, although there has been public speculation that the Trump Administration may take action to postpone the application of this regulatory change, modify the impact of the regulatory change or the terms of the exemptions described in the next sentence or support legislation that would mitigate the impact of the regulatory change. The DOL also finalized new

prohibited transaction exemptions and amendments to existing prohibited transactions exemptions that, among other things, apply more onerous disclosure and other requirements to, and increase fiduciary liability exposure in respect of, transactions involving ERISA plans, plan participants and individual retirement accounts. In anticipation of the possibility that the new fiduciary rule may be modified, it is not possible to predict the impact of the new rules on Guardian and its insurance subsidiaries' businesses and its impact on interactions with existing and prospective customers in Guardian's asset management, individual life and group insurance businesses, and increased compliance costs.

Some of the regulatory authorities that oversee Guardian's businesses are considering or may in the future consider new regulatory requirements intended to assure the stability of institutions under their supervision. These authorities may also seek to exercise their supervisory or enforcement authority in new or more robust ways. Federal and state regulatory agencies also frequently adopt changes to their regulations or change the manner in which existing regulations are applied. Guardian cannot predict the substance or impact of pending or future legislation, regulation or the application thereof. Any such changes could affect the way Guardian conducts its business and manages its capital, which in turn could materially affect its results of operations, financial condition and liquidity.

Compliance with applicable laws and regulations is time consuming and personnel-intensive, and changes in these laws and regulations may materially increase Guardian's direct and indirect compliance and other expenses of doing business, thus having a material adverse effect on its financial condition or results of operations.

***The Dodd-Frank Act and certain other potential changes in federal laws and regulations may adversely affect Guardian's business, results of operations and financial condition.***

In July 2010, Congress passed, and President Obama signed, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). Policy and rule-making conducted after the enactment of the Dodd-Frank Act has and will continue to significantly change financial regulation. Guardian cannot predict the full impact this financial reform legislation will have on its business, results of operations or financial condition. The Dodd-Frank Act establishes a general framework for systemic regulation that has imposed and will impose mandatory clearing, exchange trading and margin requirements on many derivatives transactions. A possible effect of the Dodd Frank Act could be to increase Guardian's overall costs of entering into derivatives transactions. In particular, new margin requirements and capital charges, even when not directly applicable to Guardian, may increase the pricing of its derivatives transactions.

While Guardian is not directly subject to the margin requirements for non-cleared swaps and security-based swaps ("collectively, non-cleared swaps") adopted by the U.S. banking agencies and the U.S. Commodity Futures Trading Commission ("CFTC") (and proposed by the SEC), Guardian will be indirectly impacted by these requirements for non-cleared swaps entered into with registered "swap dealers" and "security-based swap dealers" (collectively, "SDs"). Beginning on the relevant compliance dates, Guardian will be required to post initial margin on a daily basis to its SD counterparties in an amount that the counterparty determines appropriate, and to exchange variation margin on a daily basis with its SD counterparties based on the daily fair value of the non-cleared swaps. In addition, since eligible margin under the rules will be restricted to cash or highly liquid securities, Guardian's cost of using derivatives and managing collateral will increase. The compliance dates for the margin rules are phased in, commencing September 1, 2016 and ending March 1, 2017 (with respect to variation margin) and September 1, 2020 (with respect to initial margin), with the applicable compliance date depending on the volume of Guardian's own swaps (combined with its affiliates) and its SD counterparties' swaps (combined with their affiliates).

To the extent that Guardian's SD counterparty collects initial margin from it, Guardian may request that the SD counterparty segregate all such initial margin at a custodian. If Guardian does not request segregation, the custodian or counterparty may commingle such assets or collateral with the custodian's or counterparty's own assets or collateral, and in the event of the bankruptcy or insolvency of the custodian or counterparty, such assets and collateral may be subject to the conflicting claims of the creditors of the relevant custodian or counterparty, which may result in a loss to Guardian.

In addition, where Guardian enters into certain swaps that are subject to mandatory clearing, Guardian will be required to execute such swaps on a registered exchange or trading platform. While Guardian will benefit from reduced counterparty credit and operations risk and price transparency resulting from these clearing and trading

requirements (where applicable), Guardian will incur additional costs in trading these swaps. While Guardian will attempt to ensure that these swaps are executed, cleared and settled through entities it believes to be sound, there can be no assurance that a failure by any such entity will not cause a loss to Guardian.

Further, where Guardian enters into a swap with non-U.S. counterparties, the regulations of the home or resident country of such counterparty may apply with respect to such swap. The requirements and protections afforded to us under such non-U.S. regulations may be materially different from those under U.S. laws. For example, the European Union regulations on derivatives will impose position limits on commodity transactions, and the European Market Infrastructure Regulation (“EMIR”) already requires reporting of derivatives and various risk mitigation techniques to be applied to derivatives entered into by parties that are subject to the jurisdiction of EMIR. In the near future, certain entities will be subject to a mandatory clearing requirement with respect to certain of their OTC derivatives, as well as initial and variation margin requirements with respect to their non-cleared derivatives, under the regulations implementing EMIR. These European Union regulatory changes will impact a broad range of counterparties, both outside and within the European Union, and are expected to potentially increase our costs of transacting derivatives (particularly with banks and other dealers directly subject to such regulations).

As a result of these regulatory requirements and the reduced availability of certain customized derivatives, the costs of Guardian’s hedging transactions have and may continue to increase.

The Dodd-Frank Act also establishes a Financial Stability Oversight Council (“FSOC”) which has authority to designate non-bank financial companies as systemically important financial institutions (“non-bank SIFIs”) thereby subjecting them to enhanced prudential standards and supervision by the Federal Reserve. The prudential standards for non-bank SIFIs include enhanced RBC requirements, leverage limits, liquidity requirements, single counterparty exposure limits, governance requirements for risk management, stress test requirements, special debt-to-equity limits for certain companies, early remediation procedures and recovery and resolution planning. If the FSOC were to determine that Guardian is a non-bank SIFI, Guardian would become subject to certain of these enhanced prudential standards. Other regulators such as state insurance regulators may also determine to adopt new or heightened regulatory safeguards as a result of actions taken by the Federal Reserve in connection with its supervision of non-bank SIFIs. There can be no assurance that such new or enhanced regulation will not apply to Guardian.

In addition, the Dodd-Frank Act establishes the Federal Insurance Office (“FIO”) within the U.S. Department of the Treasury, which has the authority, on behalf of the United States, to participate in the negotiations of international insurance agreements with foreign regulators, as well as to collect information about the insurance industry and recommend prudential standards. While not having a general supervisory or regulatory authority over the business of insurance, the director of the FIO will perform various functions with respect to insurance, including serving as a non-voting member of FSOC and making recommendations to the FSOC regarding insurers to be designated for more stringent regulation. On December 12, 2013, the FIO issued a report to Congress setting forth recommendations on modernization of the system of insurance regulation in the United States. The report raised the possibility of a greater role for the federal government if states do not achieve greater uniformity in their laws and regulations. In 2014, the FIO submitted a second report to Congress which described the breadth of the global reinsurance market and its critical role in supporting the U.S. insurance system.

Federal agencies have been given significant discretion in connection with rulemaking pursuant to and implementation of the Dodd-Frank Act. The full impact of the Dodd-Frank Act on Guardian will not be determined until the numerous regulations required by the act are finalized, which may not occur for some time. Additionally, it is unclear what impact the Trump administration’s policies and a Republican majority in both chambers of Congress will have on the Dodd-Frank Act and the resulting impact on Guardian’s business, financial condition or results of operations. Guardian cannot predict whether any such legislation or regulatory changes will be adopted, or what impact they will have on Guardian’s business, financial condition or results of operations.

***Litigation and regulatory investigations are common in the life insurance industry and may harm Guardian’s business and financial strength and reduce its profitability.***

Life insurance companies and their affiliated financial services businesses have historically been subject to substantial litigation, including the risk of individual and class action law suits, resulting from claims disputes or

relating to suitability, sales or underwriting practices, product design, disclosure, claims and payment procedures, administration, denial or delay of benefits and breaches of fiduciary or other duties. Most of the actions seek substantial or unspecified compensatory and punitive damages and the probability and amount of liability, if any, may remain unknown for substantial periods of time. Guardian and its subsidiaries are also subject to various regulatory inquiries from time to time, such as information requests and books and record examinations, from state and federal regulators and other authorities. Guardian is, from time to time, a plaintiff or defendant in actions arising out of its insurance business. Litigation, as well as governmental, administrative or regulatory proceedings, inquiries or investigations may harm Guardian's business and financial strength and reduce its profitability. Moreover, even if Guardian ultimately prevails in the litigation, regulatory action or investigation, it could suffer significant harm to its reputation, which could have a material adverse effect on its business, results of operations and financial condition, including its ability to attract new customers, retain current customers and recruit and retain employees and agents.

***Changes in tax laws and the interpretation thereof could adversely affect Guardian's business.***

Congress has, from time to time, considered legislation that could increase or change the manner of taxing the products Guardian sells and of calculating the amount of taxes paid by life insurance companies or other corporations, including Guardian. In recent years, proposals have been made to limit a life insurance company's "dividends received deduction" with respect to variable life insurance and annuity contracts sold by them. Changes in the rules relating to policy acquisition costs and tax reserving methodologies for various Guardian products that could also result in higher current taxes to Guardian have also been proposed. In June 2016, House Republicans issued a policy paper (called the "Blueprint") setting forth certain proposals for significant tax reforms. President-elect Trump also issued a high-level outline of his tax reform plan during his campaign that is consistent with the Blueprint in many respects. The Blueprint generally proposes, among other things, to eliminate the deductibility of net interest expense and reduce income tax rates. To the extent that any such legislation is enacted in the future, Guardian could be adversely affected.

The attractiveness to Guardian's customers of many of its products is due, in part, to favorable tax treatment. Current federal income tax laws generally permit the tax-deferred accumulation of earnings on the premiums paid by the holders of life insurance and annuity products. Taxes, if any, are payable generally on income attributable to a distribution under the contract for the year in which the distribution is made. Death benefits under life insurance contracts may be received free of federal income tax. Congress has, from time to time, considered legislation that could have the effect of reducing or eliminating the benefit of such deferral of taxation or otherwise affect the taxation of life insurance or annuity products. As a result, demand for certain of Guardian's life insurance and annuity products that offer income tax deferral could be negatively impacted. To the extent that legislation is enacted in the future to reduce the tax deferred status of life insurance or annuity products, limit the exclusion of death benefits from income, or reduce the taxation of competing products, all life insurance companies, including Guardian, could be adversely affected. Likewise, reductions in individual tax rates could reduce the attractiveness of tax deferral to Guardian's potential customers.

Congress has from time to time also considered material changes to the estate tax, which both the Blueprint and Trump outline propose to repeal. Many of Guardian's products are sold to customers in order to help them meet their estate tax planning needs. To the extent that legislation is enacted in the future that would materially change the estate tax, sales of Guardian's products could be adversely affected.

In those jurisdictions in which Guardian does business, Guardian's taxes could increase as a result of changes in laws or regulations or in the interpretation of applicable tax laws and regulations. Also, changes in corporate tax rates in these jurisdictions could affect the value of deferred tax assets and deferred tax liabilities. Furthermore, the value of deferred tax assets could be affected by Guardian's future earnings levels.

Guardian files U.S. federal income tax returns along with various state and local income tax returns. From time to time, Guardian is subject to audits of its federal, state and local tax returns. Years 2010 and prior are closed for U.S. federal income tax audits. As of the date of this Memorandum, Guardian is not under an examination by the Internal Revenue Service ("IRS"). There are a number of state and local governmental audits in process. While Guardian does not expect any material changes as a result of pending audits, there can be no assurance that there will not be any such adjustments in the future.

***New accounting rules, changes to existing accounting rules or the granting of permitted accounting practices to competitors could have an adverse effect on Guardian's results of operations and financial condition.***

Guardian is required to comply with SAP. SAP and various components of SAP (such as actuarial reserving methodologies) are subject to 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 are currently, or have been previously, pending before committees and task forces of the NAIC, some of which, if enacted, would negatively affect Guardian. The NAIC is also currently working to reform state regulation in various areas, including comprehensive reforms relating to life insurance reserves and the accounting for such reserves. For example, in December 2012, the NAIC approved a new valuation manual containing a principles-based approach to life insurance company reserves. Principles-based reserving is designed to better address reserving for products, including the current generation of products for which the current formulaic basis for reserve determination does not work effectively. Although the principles-based approach became effective on January 1, 2017 in the states in which it has been adopted, insurance commissioners of certain states do not actively support the principles-based reserve approach.

Guardian cannot predict whether or in what form reforms will be enacted and, if so, whether the enacted reforms will positively or negatively affect it.

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. Guardian cannot predict what permitted and prescribed practices the NYSDFS may allow or mandate in the future, nor can Guardian 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. As of the date of this Memorandum, Guardian has not requested or used any such permitted practices for the Statutory Financial Statements for the year ended December 31, 2015. Moreover, although states defer to interpretations of the insurance department of the state of domicile with respect to regulations and guidelines, 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. Guardian can give no assurance that future changes to SAP or components of SAP or the granting of permitted accounting practices to its competitors will not have a negative impact on its results of operations or financial condition.

***Changes in legislation, regulation and government policy as a result of the 2016 U.S. presidential and congressional elections may have a material adverse effect on Guardian's business in the future.***

The recent presidential and congressional elections in the United States could result in significant changes in, and uncertainty with respect to, legislation, regulation and government policy. While it is not possible to predict whether and when any such changes will occur, changes at the local, state or federal level could significantly impact Guardian's business and the life insurance industry. Specific legislative and regulatory proposals discussed during and after the election that could have a material impact on Guardian include, but are not limited to, reform of federal financial regulation, reform of the federal tax code, repeal and replacement of the ACA, and antitrust enforcement.

Guardian is currently unable to predict whether reform discussions will meaningfully change existing legislative and regulatory environments relevant for its business, or if any such changes would have a net positive or negative impact on its business. To the extent that such changes have a negative impact on Guardian or the life insurance industry, including as a result of related uncertainty, Guardian's results of operations and financial condition could be materially adversely affected.

***The amount of statutory capital that Guardian has and the amount of statutory capital it must hold can vary significantly from time to time and is sensitive to a number of factors outside of its control, including equity market and credit market conditions.***

Insurance regulators and the NAIC prescribe accounting standards and statutory capital and reserve requirements for Guardian and its insurance company subsidiaries. The NAIC has established regulations that provide minimum capitalization requirements based on RBC formulas for both life and property and casualty

companies. The RBC formula for life companies establishes capital requirements relating to insurance, business, asset and interest rate risks, including equity, interest rate and expense recovery risks associated with variable annuities and group annuities that contain death benefits or certain living benefits.

In any particular year, statutory surplus amounts and RBC ratios may increase or decrease depending on a variety of factors, including the amount of statutory income or losses generated by Guardian (which itself is sensitive to equity market and credit market conditions), the amount of additional capital it must hold to support its business growth, changes in equity market levels, the value of certain fixed-income and equity securities in its investment portfolio, the value of certain derivative instruments that do not get hedge accounting treatment, changes in interest rates and foreign currency exchange rates, as well as changes to the NAIC RBC formulas. Most of these factors are outside of Guardian's control. Increases in the amount of required statutory reserves reduce the statutory capital used in calculating Guardian's RBC ratios. In addition, in scenarios of equity market declines, the amount of additional statutory reserves that GIAC is required to hold for its variable annuity guarantees would increase, which would decrease GIAC's, and, therefore, Guardian's, statutory surplus.

Guardian's statutory surplus and RBC ratios have a significant influence on its financial strength and claims paying ratings, which, in turn, are important to its ability to compete effectively. To the extent that Guardian's statutory capital resources are deemed to be insufficient to maintain a particular rating by one or more rating agencies, it may seek to raise additional capital. If it were not able to raise additional capital in such a scenario for any reason, any ratings downgrade that followed could have a material and adverse effect on its business, results of operations, financial condition and liquidity.

The NAIC and international insurance regulators, including the International Association of Insurance Supervisors ("IAIS") continue to work to develop group capital calculations or group capital standards. The NAIC has begun to develop a group capital assessment which is expected to be based on existing RBC measures. The IAIS continues to develop its global "insurance capital standard," which will serve as the base group capital standard applicable to all internationally active insurance groups. Although federal regulators and the NAIC have engaged with the IAIS in the development of its capital standards, concerns remain about how such global standards will interact with existing U.S. regulatory requirements and the proposed rulemaking being developed by the Federal Reserve Board with respect to SIFIs. Guardian cannot predict what impact these proposed capital standards may have on its operations. It is possible that Guardian or its affiliates may be required to hold additional capital, which may adversely affect its ability to do business.

***Guarantees embedded in GMWB riders sold with variable annuity contracts expose GIAC to certain risks.***

Certain variable annuities written by GIAC contain guaranteed minimum withdrawal benefit ("GMWB") riders. These GMWB riders guarantee a minimum level of withdrawal benefits irrespective of the investment performance of the underlying accounts of the variable annuities; as a result, below a certain level, GIAC will be exposed to the difference between the investment value and the guaranteed benefits. Therefore, any decline in capital markets (including equity and debt markets), interest rates or account values may increase GIAC's exposure to liability for benefit claims under these riders. The amount of statutory reserves related to GMWB is in part tied to the difference between the value of the underlying accounts and the guaranteed benefits. Even if GIAC is not immediately subject to guaranteed minimum withdrawal payments to annuity holders, it may be required to establish this type of reserve due to declines in capital markets or account values.

GIAC currently reinsures or attempts to hedge certain exposures to GMWB riders. A portion of GIAC's GMWB rider business (\$742 million out of \$7.0 billion total account value at December 31, 2015) is reinsured under a third-party treaty. The remainder is subject to a hedging program, using exchange traded futures contracts tied to various equity and Treasury rate indices. However, the hedge positions may not exactly offset the changes in the carrying value of the guarantees due to, among other things, the time lag between the changes in their values and corresponding changes in the hedge positions, volatility in the equity markets and derivative markets, swings in interest rates, contract holder behavior different than expected and divergence between the performance of the underlying funds and hedging indices. GIAC has a reinsurance agreement with a third-party reinsurer that reinsures 90% of various GMWB riders that were written through December 2008 and introduced prior to September 2008. That reinsurer is an admitted reinsurer in New York. The financial strength ratings of this reinsurer from S&P and Moody's are AA- and Aa3, respectively. The business not covered by the reinsurance treaty is subject to a hedging

program. Beginning in September 2008, new GMWB rider forms were introduced, and the business written pursuant to these new rider forms is not subject to reinsurance, instead 100% of such business is subject to the hedging program. For a description of this hedging program and its limitations, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Information about Market Risk—Hedging Programs.” At December 31, 2015, the account value of all GMWB contracts was approximately \$7.0 billion before reinsurance and \$6.3 billion after reinsurance. At December 31, 2014, the before and after reinsurance account values were \$6.9 billion and \$6.1 billion, respectively. At December 31, 2013, the before and after reinsurance account values were \$6.4 billion and \$5.5 billion, respectively. In addition, the net amount at risk was \$653 million, \$84 million and \$64 million at December 31, 2015, 2014 and 2013, respectively.

GIAC’s hedging program, using exchange traded futures contracts, does not hedge all risk arising from the riders, including risks associated with sustained volatility in capital markets and policyholder withdrawals, and there can be no assurance that GIAC’s hedging program will be effective as designed to reduce the risks which Guardian does seek to hedge. The models used to guide the hedging activities are based on actuarial and capital market assumptions which are only estimates of future events. To the extent policyholder behavior, capital market developments, or other events deviate from model assumptions, this hedging program may be negatively impacted, which could materially affect GIAC’s financial condition or results of operations. See “—Reinsurance may not be available, affordable, or adequate to protect Guardian against losses” and “—Counterparties to Guardian’s reinsurance arrangements and other contracts may fail to perform, which could adversely affect its results of operations and financial condition.”

***As a mutual insurance company, Guardian has limited access to capital, and the ability of its subsidiaries to pay dividends is restricted under applicable insurance laws.***

Guardian is a mutual insurance company with no capital stock and no shareholders. Consequently, it is unable to access directly the public equity markets as a means to raise capital. As of September 30, 2016, Guardian had outstanding Existing Surplus Notes (as defined below) in the aggregate principal amount of \$850 million and no other long-term indebtedness outstanding. In addition, Guardian Life Global Funding, a special purpose trust, has issued \$800 million in funding agreement-backed notes, which are secured by funding agreements issued by Guardian. Guardian does not rely on dividends from its subsidiaries to meet its operating cash flow requirements or to service its obligations under the Existing Surplus Notes. For the year ended December 31, 2015, Guardian received approximately \$43 million in cash dividends from its subsidiaries. Guardian records these dividends as net investment income. No assurances can be given that these subsidiaries will pay dividends to Guardian in the future.

Guardian has not historically relied on dividends from its subsidiaries to meet its operating cash flow requirements. Historically, Guardian has reinvested a substantial portion of its unrestricted earnings in BLICOA, FCW and GIAC. Substantially all of the statutory surplus of Guardian’s life insurance subsidiaries, including BLICOA and GIAC, of approximately \$956 million, \$998 million and \$1.0 billion, at December 31, 2015, 2014 and 2013, respectively, is subject to dividend restrictions imposed by statutory authorities. Under the laws of Delaware and Massachusetts, the domiciliary states of GIAC and BLICOA, respectively, dividends in excess of unassigned funds require regulatory approval. In addition, BLICOA and GIAC must seek regulatory approval prior to paying a dividend whose fair market value together with other dividends within the preceding twelve months exceeds the greater of (i) 10% of the insurer’s policyholder surplus as of the last day of December next preceding or (ii) the net gain from operations of the insurer for the twelve-month period ending the last day of December next preceding. Based on their respective statutory basis financial results as of December 31, 2015, Guardian’s life insurance subsidiaries, including BLICOA and GIAC, would have been able to pay dividends to Guardian in 2015, 2014 and 2013 of up to \$77 million, \$93 million and \$159 million, respectively without obtaining the prior approval of their applicable insurance regulators. For the years ended December 31, 2015, 2014 and 2013, Guardian received an aggregate of \$43 million, \$324 million and \$3 million, respectively, in cash and noncash dividends from its subsidiaries. Guardian can make no assurance regarding the timing or amount of dividends, if any, that may be paid by these subsidiaries to Guardian in the future. GIS and FCW are not subject to dividend restrictions imposed by statutory authorities but may pay dividends up to but not exceeding any accumulated earnings. As of December 31, 2015, FCW had accumulated earnings of \$19 million and would have been able to pay a dividend up to \$19 million in 2015. As of December 31, 2014 and 2013, FCW had accumulated losses of \$2 million and \$11 million, respectively, and therefore was not able to pay dividends.



In addition to restrictions on the ability of Guardian's insurance subsidiaries to pay dividends to it, if Guardian were to need access to additional capital for any reason, its ability to obtain such capital could be limited and the cost of any such capital could be significant if the securities and credit markets experience volatility or disruption. Guardian's access to additional financing will depend on a variety of factors such as market conditions, the general availability of credit, the overall availability of credit to Guardian's industry, Guardian's credit ratings and credit capacity, as well as the possibility that lenders could develop a negative perception of Guardian's long- or short-term financial prospects. Similarly, Guardian's access to funds could be impaired if regulatory authorities or rating agencies took negative actions against Guardian, such as a ratings downgrade. If a combination of these factors were to occur, Guardian might not be able to successfully obtain additional financing, if needed. As such, Guardian could be forced to delay raising capital, or perhaps issue different types of capital than it would otherwise, less effectively deploy such capital, issue shorter tenor securities than it would prefer, or bear an unattractive cost of capital, which could decrease its profitability and significantly reduce its financial flexibility.

***Guardian's reserves for future policy benefits and claims related to the company's current and future business as well as businesses Guardian may acquire in the future may prove to be inadequate.***

Guardian's reserves for future policy benefits and claims may prove to be inadequate. Guardian establishes and carries, as a liability, reserves based on estimates of how much the company will need to meet policyholder obligations, including the payment of future benefits and claims. For Guardian's life insurance and annuity products, these reserves are calculated based on methodologies required by the NYSDFS for statutory reserves, using mortality tables specified by the NYSDFS, as well as minimum interest rates also specified by the NYSDFS, and contract language. Guardian also sets up reserves to meet policyholder obligations on group insurance and disability insurance. Claim reserves reflect a combination of actual experience and industry experience, as well as, where mandated, experience tables specified by state insurance departments. It cannot be exactly determined with precision the ultimate amounts that will be paid, or the timing of payment of, actual benefits and claims or whether the assets supporting the policy liabilities will grow to the level assumed prior to payment of benefits or claims. Since Guardian cannot precisely determine the amount or timing of actual future benefits and claims, actual results could differ significantly from those assumed. Deviations from one or more of these estimates and assumptions could have a material adverse effect on Guardian's results of operations or financial condition. If Guardian concludes that reserves, together with future premiums, are insufficient for payments of benefits and expenses, Guardian may seek to increase premiums where it is able to do so.

***Reinsurance may not be available, affordable or adequate to protect Guardian against losses.***

As part of Guardian's overall risk management strategy, it purchases reinsurance for certain risks underwritten by Guardian's various business segments. While reinsurance agreements generally bind the reinsurer for the life of the business reinsured at generally fixed pricing, market conditions beyond Guardian's control determine the availability and cost of the reinsurance protection for new business. In certain circumstances, the price of reinsurance for business already reinsured may also increase. Any decrease in the amount of reinsurance will increase Guardian's risk of loss and any increase in the cost of reinsurance will, absent a decrease in the amount of reinsurance, reduce Guardian's earnings. Accordingly, Guardian may be forced to incur additional cost for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect its ability to write future business or result in the assumption of more risk with respect to those policies Guardian issues.

Guardian reinsures its business with various reinsurers. In order to enter into a reinsurance treaty with Guardian or its subsidiaries, the reinsurer must meet various standards in terms of financial strength and ratings. Guardian reinsures its participating life business, universal life business and variable universal life business mortality risk on any face amount issued in excess of Guardian's general retention limit of \$15 million per life. For term insurance, Guardian coinsured between 76% and 90% of all term life insurance business on a first dollar quota share basis until May 1, 2014. Starting May 1, 2014, Guardian cedes amounts in excess of \$2 million per life of newly issued term life insurance to a pool of four reinsurers on an automatic yearly renewable term basis. Term life insurance business may also be ceded to the same four reinsurers on a facultative basis. Also, starting May 1, 2014, Guardian has a coinsurance with funds withheld reinsurance agreement, with one reinsurer, covering 90% of its level term life insurance amounts net of the excess of \$2 million retention on yearly renewable term reinsurance. See "Business of Guardian—Reinsurance."

All life insurance reinsurance treaties are covered by a pool of reinsurers. Forty-one percent (41%) of Guardian's individual life insurance face amount is reinsured as of December 31, 2015. Of the face amount reinsured, over 85% is ceded to four third-party reinsurers. The remaining percentage of the face amount reinsured is spread among a number of other companies. Some of these agreements are closed to new business. However, the reinsurance treaties covering the closed blocks of business remain in force as to these closed blocks. Group long-term disability and individual disability income treaties reinsure monthly policy benefits in excess of a specific monthly income benefit; however, individual disability income policies issued on or after January 1, 2016 are not reinsured. Variable annuity guaranteed minimum death benefits ("GMDB") riders issued through December 2009 are reinsured 100% with two reinsurers, each of which has a financial strength rating of at least AA- from S&P, while GIAC generally retains the basic return of premium ("ROP") death benefit. Variable annuity GMWB riders issued through December 2008 on riders introduced prior to September 2008 are 90% reinsured with one company. There can be no assurance that the reinsurance on the GMWB riders will be adequate to protect Guardian from losses that may adversely affect its Unassigned Surplus.

***Counterparties to Guardian's reinsurance arrangements and other contracts may fail to perform, which could adversely affect its results of operations and financial condition.***

Guardian uses reinsurance to mitigate its risks in various circumstances. See "—Reinsurance may not be available, affordable or adequate to protect Guardian against losses." In general, reinsurance does not relieve Guardian of its direct liability to its policyholders, even when the reinsurer is liable to the cedant. Accordingly, Guardian bears credit risk with respect to its reinsurers. Guardian cannot provide assurance that its reinsurers will pay the reinsurance recoverables owed to it now or in the future or that they will pay these recoverables on a timely basis. A reinsurer's insolvency, inability or unwillingness to make payments under the terms of reinsurance agreements with Guardian could have an adverse effect on its results of operations and financial condition.

***Guardian is engaged in a highly competitive business. Competitive factors may adversely affect Guardian's market share and profitability.***

The life insurance industry is highly competitive. There are a large number of life insurance companies in the United States, many of which offer insurance products similar to those marketed by Guardian and may have advantages over Guardian in one or more of the competitive factors listed below. In addition to competition from within the industry, insurers are increasingly facing competition from non-traditional sources in the financial services industry, including mutual fund companies, banks, securities brokerage houses and other financial services entities. Recent industry consolidation, including acquisitions of insurance and other financial services companies in the United States by international companies, has resulted in larger competitors with strong financial resources, marketing and distribution capabilities and brand identities. Some competitors also offer a broader array of products, have more competitive pricing or, with respect to other insurers, have higher claims paying ability ratings. National banks, which may sell annuity products of life insurers in some circumstances, also have pre-existing customer bases for financial services products.

Competitiveness in the insurance business is affected by various factors including, but not limited to, name recognition, price, financial strength ratings, size and strength of distribution force, range of product lines, product features, commission structure, product quality, servicing ability, investment performance and general reputation. There can be no assurance that Guardian will be able to compete successfully against current and future competitors or that competitive pressures faced by Guardian will not materially and adversely affect its business, operating results and financial condition. See "Business of Guardian—Group and Worksite Markets—Group and Worksite Markets Product Competition," "Business of Guardian—Individual Markets—Insurance Products—Individual Insurance Competition," and "Business of Guardian—Individual Markets—Individual Wealth Management and Retirement Savings—Individual Annuities Products and Services Competition."

Many of Guardian's group insurance products are underwritten annually, and, accordingly, there is a risk that group purchasers may be able to obtain more favorable terms from competitors rather than renewing their existing coverage with Guardian. The effect of competition may, as a result, adversely affect the persistency of these and other products, as well as Guardian's ability to sell products in the future.

In addition, the investment management and securities brokerage businesses have relatively few barriers to entry and continually attract new entrants. Many of Guardian's competitors in these businesses offer a broader array of investment products and services and are better known than Guardian as sellers of annuities and other investment products.

***If Guardian is unable to attract and retain independent agents, career agents, General Agents and key personnel, its ability to compete and its revenues could suffer.***

Guardian's career agency force is the primary means by which it distributes life insurance and annuity products. In order to continue increasing life insurance and annuity sales, Guardian must attract, develop and retain those who are or can be productive career agents.

Insurance companies compete vigorously for productive agents. Guardian competes with other life insurance companies for agents primarily on the basis of its financial position, support services, compensation and product features. Such agents may promote products offered by other life insurance companies that may offer a larger variety of products than Guardian does. Guardian's competitiveness for such agents also depends upon the long-term relationships it develops with them. In addition, securing the future of Guardian's individual market distribution requires Guardian to continue to attract and recruit successful General Agents. If Guardian were unable to attract and retain sufficient agents or General Agents, its ability to compete and its results of operations or financial condition could be impacted.

The success of Guardian's businesses also largely depends on its ability to attract and retain key personnel. Strong competition exists for qualified personnel, including actuaries and portfolio managers, with demonstrated ability. Inability to attract key personnel, or attract and retain additional qualified personnel, could harm Guardian's results of operations and financial condition.

***Guardian's profitability may decline if mortality rates or persistency rates or other assumptions differ significantly from pricing expectations.***

Guardian sets prices for many of its insurance and annuity products based upon expected claims and payment patterns, using assumptions for mortality, persistency (how long a contract stays in-force) and interest rates. In addition to the potential effect of natural or man-made disasters, significant changes in mortality could emerge gradually over time, due to changes in the natural environment, the health habits of the insured population, effectiveness of treatment for disease or disability, or other factors. In addition, Guardian could fail to accurately anticipate changes in other pricing assumptions, including changes in interest and inflation rates. Significant negative deviations in actual experience from Guardian's pricing assumptions could have a material adverse effect on the profitability of its products. Guardian's earnings are significantly influenced by the claims paid under its insurance contracts and will vary from period to period depending upon the amount of claims incurred.

Guardian's Individual Life Insurance business consists primarily of participating policies. A significant increase in death benefits could result in a reduction of the dividends paid to participating policyholders of Guardian. A reduction in these dividends could reduce Guardian's ability to compete with other issuers of participating policies.

There is only limited predictability of claims or persistency experience within any given month or year. Guardian's future experience may not match its pricing assumptions or its past results. As a result, Guardian's results of operations and financial condition could be materially adversely affected.

GIAC sells single premium deferred annuities ("SPDA") that have a surrender charge period of up to seven years. SPDAs were sold starting in 1996. This block has a total account value of \$277 million as of December 31, 2015. Policies sold from 1996–2006 no longer have a surrender charge and account for \$201 million of the total account value. A total of \$54 million of account value at December 31, 2015 is attributed to business which comes out of the surrender charge period in 2016 because it was written in 2009. Generally, when policies come out of the surrender charge period policyholders are more likely to withdraw their funds because they can do so without penalty. Each year, additional fixed annuities will come out of their surrender charge period. Guardian attempts to

anticipate this additional lapse experience when it initially prices these products. An increase in surrenders could materially affect GIAC's financial condition or results of operations, and, therefore, reduce the amount of Guardian's Unassigned Surplus.

GIAC also sells single premium immediate annuities ("SPIA") and deferred income annuities ("DIA"). SPIAs were sold starting in 2010, and DIAs were sold starting in 2013. SPIA includes a single initial premium, and annuitization commences within the first year. DIA includes an initial premium and allows for additional premium payments between the initial premium date and annuity commencement. DIA annuitization is deferred at least 24 months from the issue date or 13 months from the last premium deposit, whichever is later. Annuitization for both products can be in the form of a life contingent annuity, a life contingent annuity with a term certain period or an annuity for a term certain. As of December 31, 2015, total statutory reserves for SPIA and DIA are \$1.1 billion and \$326 million, respectively.

***Guardian has made, and expects to continue to make, strategic acquisitions, the success of which depends on numerous factors.***

Guardian has acquired businesses and will continue to evaluate strategic acquisition opportunities that have the potential to support and strengthen its business. Guardian can give no assurances, however, that any acquisition opportunities will arise or, if they do, that they will be consummated, or that additional financing or capital, if needed, will be available on satisfactory terms. Guardian also cannot guarantee the success of any such acquisition. Guardian may not be able to achieve the synergies and other benefits that are expected from the integration of acquisitions as successfully or rapidly as projected, if at all. If Guardian fails to manage current and future acquisitions effectively, including failing to maintain or enhance the key business relationships and the reputations of acquired businesses, Guardian's results of operations could be adversely affected.

In addition, some of Guardian's acquired businesses have contracted with U.S., state and local governments. For this reason, any issue that compromises Guardian's relationship with governments could cause Guardian's revenue to decline. Among the key factors in maintaining Guardian's relationship with the governments it serves is its performance on contracts, the strength of its professional reputation and compliance with applicable laws and regulations. In addition, the mishandling or the perception of mishandling of sensitive or personal information, including as a result of misconduct or other improper activities by Guardian's employees or subcontractors, or a failure to maintain adequate protection against security breaches could harm Guardian's relationship with the governments it serves. Any harm to Guardian's relationship with the governments it serves could have an adverse effect on Guardian's business.

***The impact of international tension between the United States and other nations, terrorist attacks and ongoing military and other actions may result in decreases in net income, revenue and assets under management and may adversely affect Guardian's investment portfolio.***

The continued threat of terrorism both within the United States and abroad, the ongoing military and other actions and heightened security measures in response to these threats, and international tensions between the United States and other nations may cause disruptions to commerce, reduced economic activity and continued volatility in markets throughout the world. Such factors could affect Guardian's net income and revenue.

Guardian may also face increased death benefit claims as a result of war, terrorism or natural disaster. Although Guardian has contingency plans in place, a major terrorist act on the United States or natural disaster may materially disrupt Guardian's critical operations. Some of the assets in Guardian's investment portfolio may also be adversely affected by declines in the securities markets and economic activity as a result of these factors.

***A pandemic or other catastrophic event could adversely affect Guardian's results of operations and financial condition.***

A severe pandemic or catastrophic event may cause significant volatility in global financial markets, disruptions to commerce and reduced economic activity. The resulting macroeconomic conditions could materially and adversely affect Guardian's cash flows, as well as the value and liquidity of its invested assets. In addition,

Guardian's mortality and/or morbidity experience could be adversely affected by a pandemic or catastrophic event, resulting in a rapid and significant increase in policy benefits paid. Significant influenza pandemics have occurred in the last century, but the likelihood, timing and the severity of a future pandemic cannot be predicted.

The effectiveness of external parties, including governmental and non-governmental organizations, in combating the spread and severity of such a pandemic could have an adverse impact on the losses experienced by Guardian. Guardian may also experience operational disruptions if its employees are unable or unwilling to come to work due to a pandemic or other catastrophe. Guardian has developed contingency plans to reduce the risk of operational disruptions. Despite these measures, Guardian may still be exposed to significant losses in the event of a pandemic or other catastrophe.

***A computer system failure or security breach could disrupt Guardian's business, damage its reputation and adversely impact its profitability.***

Guardian relies on computer systems to conduct business, including customer service, marketing and sales activities, customer relationship management and producing financial statements. While Guardian has policies, procedures, automation and backup plans designed to prevent or limit the effect of failure, its computer systems may be vulnerable to disruptions or breaches as the result of natural disasters, man-made disasters, criminal activity, pandemics or other events beyond its control. The failure of Guardian's computer systems for any reason could disrupt its operations, result in the loss of customer business and adversely impact its profitability.

Guardian retains confidential information on its computer systems, including customer information and proprietary business information, and such information may also be stored on the systems of third parties to whom Guardian outsources certain functions. Any compromise of the security of these computer systems that results in the disclosure of personally identifiable customer information could damage Guardian's reputation, expose it to litigation, increase regulatory scrutiny and require Guardian to incur significant technical, legal and other expenses.

The area of cybersecurity has come under increased scrutiny by insurance regulators. The NAIC is expected to develop a new model law relating to insurance data security. Additionally, the NYSDFS published draft cybersecurity regulations in September 2016 that described certain requirements for insurers to implement, including taking measures to protect data accessible to third-party service providers, adopting multi-factor authentication procedures, designating a chief information security officer who would annually report to the NYSDFS, conducting annual audits, and immediately notifying the NYSDFS of any material cybersecurity incident. Guardian cannot predict what effect adoption of such laws and regulations may have on its business or the costs of compliance with such laws and regulations.

***Guardian may not be able to protect its intellectual property and may be subject to infringement claims.***

Guardian relies on a combination of contractual rights and copyright, trademark, patent and trade secret laws to establish and protect its intellectual property. Although Guardian uses a broad range of measures to protect its intellectual property rights, third parties may infringe or misappropriate its intellectual property. Guardian 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. Additionally, complex legal and factual determinations and evolving laws and court interpretations make the scope of protection afforded Guardian's intellectual property uncertain. The loss of intellectual property protection or the inability to secure or enforce the protection of its intellectual property assets could have a material adverse effect on its business and ability to compete.

Guardian also may be subject to costly litigation in the event that another party alleges its operations or activities infringe upon another party's intellectual property rights. Guardian may be subject to claims by third parties for breach of copyright, trademark, patent, trade secret or license usage rights. If Guardian were found to have infringed third-party intellectual property rights, Guardian could incur substantial liability, and in some circumstances could be enjoined from providing certain products or services to its customers or utilizing and benefiting therefrom, all of which could have a material adverse effect on its business, results of operations and financial condition.

***Guardian is exposed to the impact of changes in interest rates on its pension funding obligations.***

Guardian sponsors non-contributory defined benefit pension plans covering all eligible Guardian employees and career agents. These include tax-qualified plans, as well as nonqualified plans providing benefits to certain participants in excess of ERISA limits for qualified plans. The valuation of the defined benefit plan liabilities is sensitive to changes in interest rates. A significant decrease in interest rates has the potential to negatively impact Guardian's capital as changes in the fair value of the defined benefit plan liabilities are charged to capital.

***Certain of Guardian's administrative operations are located internationally, subjecting Guardian to various international risks and increased compliance and regulatory risks and costs.***

Certain of Guardian's administrative operations are located in Canada and India and, in the future, Guardian may seek to expand its operations in those or into other countries. As a result of these operations, Guardian may be exposed to economic, operating, regulatory and political risks in those countries, such as foreign investment restrictions, substantial fluctuations in economic growth, high levels of inflation, volatile currency exchange rates and instability, including civil unrest, terrorist acts or acts of war, which could have an adverse effect on Guardian's business, financial condition and results of operations. Further, it may prove difficult for Guardian to achieve its goals and take advantage of growth opportunities due to a lack of comprehensive market knowledge. The political or regulatory climate in the United States could also change such that it would no longer be lawful or practical for Guardian to use international operations in the manner in which they are currently conducted. If Guardian had to curtail or cease operations in India or Canada and transfer some or all of these operations to another geographic area, Guardian would incur significant transition costs as well as higher future overhead costs that could adversely affect Guardian's results of operations.

In many foreign countries, particularly in those with developing economies, it may be common to engage in business practices that are prohibited by laws and regulations applicable to Guardian, such as the U.S. Foreign Corrupt Practices Act of 1977, as amended (the "FCPA") and similar anti-bribery laws. Any violations of the FCPA or other anti-bribery laws by Guardian, its employees, subsidiaries or local agents, could have an adverse effect on Guardian's business and reputation and result in substantial financial penalties or other sanctions.

## CAPITALIZATION OF GUARDIAN

As a mutual insurance company, Guardian has no capital stock and no shareholders. Guardian's participating policyholders generally have certain rights to receive policyholder dividends declared by the Board of Directors. Such declarations are at the full discretion of the Board of Directors. See "Financial and Accounting Matters—Policyholder Dividends and Other Experience Credits." These policyholders also have certain rights to vote in the election of directors as provided by the laws of the State of New York. They and certain other policyholders may have rights to receive distributions in a proceeding for the rehabilitation, liquidation, conservation or dissolution of Guardian.

Guardian's balance sheet includes its surplus and an AVR. The amount by which the admitted assets of Guardian exceed its liabilities is referred to as surplus. The AVR stabilizes surplus from fluctuations in the value of the investment portfolio (other than fluctuations in the value of certain fixed income investments due to interest rate changes) of Guardian.

The following table sets forth the actual capitalization of Guardian as of September 30, 2016. The AVR is included in the following table even though such reserve is shown as a liability on Guardian's balance sheet. This treatment is consistent with the general view of the insurance industry. In addition, such reserve is included as part of total adjusted capital for risk-based capital purposes.

|                                                                                     | <u>As of September 30, 2016</u><br><b>(Unaudited)</b><br><b>(\$ in Millions)</b> |
|-------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Surplus of Guardian:                                                                |                                                                                  |
| 4.875% Surplus Notes scheduled to mature on June 19, 2064 <sup>(1)</sup> .....      | 449                                                                              |
| 7.375% Surplus Notes scheduled to mature on September 30, 2039 <sup>(2)</sup> ..... | 396                                                                              |
| Unassigned Surplus .....                                                            | 5,410                                                                            |
| Designated Surplus <sup>(3)</sup> .....                                             | 4                                                                                |
| <b>Total Surplus<sup>(4)</sup> .....</b>                                            | <b>\$ 6,259</b>                                                                  |
| <b>Asset Value Reserve .....</b>                                                    | <b>\$ 814</b>                                                                    |
| <b>Surplus and Asset Valuation Reserve .....</b>                                    | <b>\$ 7,073</b>                                                                  |

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- (1) Designated Surplus includes the amount of statutorily mandated contingency reserves that is required to be set aside for Guardian's group annuities businesses.
- (2) "Total Surplus" as used in this table is consistent with the terminology used in the statutory financial statements filed by Guardian with the NYSDFS, and consists of the sum of Unassigned Surplus and other surplus items. In the Statutory Financial Statements appearing elsewhere herein, this amount is also referred to as "Surplus."

## BUSINESS OF GUARDIAN

Founded in 1860 and incorporated in the State of New York, Guardian is the fourth largest U.S. mutual life insurance company based on statutory surplus of \$6.1 billion, \$5.7 billion and \$5.0 billion as of December 31, 2015, 2014 and 2013, respectively, according to peer data compiled by the NAIC. Guardian primarily operates in the ordinary life insurance business, but also provides, directly or through its subsidiaries, a wide range of group, disability, wealth management and retirement savings products and services, as well as investment services. The Company provides its products and services to individuals, corporations and other institutions in all 50 states of the United States and the District of Columbia. Guardian's major subsidiaries include BLICOA, FCW, GIAC and GIS. As of December 31, 2015, 2014 and 2013, Guardian had total assets of \$48.1 billion, \$45.3 billion and \$42.1 billion, respectively. As of December 31, 2015, 2014 and 2013, respectively, Guardian had total life insurance in-force of \$555.5 billion, \$519.1 billion and \$483.1 billion, respectively. For the years ended December 31, 2015, 2014 and 2013, Guardian generated total premium income of \$7.3 billion, \$7.0 billion and \$8.7 billion, respectively. For the years ended December 31, 2015, 2014 and 2013, Guardian's net gain from operations totaled \$1.4 billion, \$1.5 billion and \$1.1 billion, respectively and net income totaled \$433 million, \$712 million and \$286 million, respectively. Guardian's insurance financial strength/claims paying ability is rated AA+ by S&P, Aa2 by Moody's, AA+ by Fitch and A++ by A.M. Best. S&P, Moody's, Fitch, and A.M. Best currently report a stable outlook for Guardian's insurance financial strength/claims paying abilities rating.

Guardian, together with its subsidiaries, is a financial services group that seeks to provide attractive value for policyholders and customers by providing a wide array of differentiated products and services, while aiming to achieve strong financial results. In pursuing this strategy, Guardian's guiding principle is to enable its customers to obtain financial success while protecting their families and businesses. To achieve this goal, Guardian focuses on developing and distributing a broad portfolio of financial products and services, maintaining what it believes to be prudent underwriting standards and rigorous expense control, and pursuing asset/liability management practices that it considers conservative.

Guardian believes that its key strengths will enable it to capitalize on a variety of opportunities in the U.S. life insurance market. These strengths include:

- *Commitment to mutual status.* This commitment allows Guardian to focus on meeting the needs of its policyholders by making long-term financial strength and stability and the payment of competitive dividends its primary objectives. As a mutual insurance company, Guardian does not have stockholders and believes that it does not experience the same short-term earnings pressures as its publicly-traded life insurance peers, permitting it to manage product development, risk and investments on a long-term economic basis.
- *Diversified product portfolio that meets a wide array of needs.* Guardian believes that the diversity of its product portfolio allows it to meet the needs of its clients, both at the individual and group level. Guardian also believes that its diversified product portfolio improves its ability to be financially successful in many different market environments by providing diversification of earnings and reducing the level of volatility in its financial results. Guardian has paid dividends to policyholders every year since 1868.
- *Industry-leading products targeted at high-quality customer base.* Guardian believes that it is a product leader in many areas where it writes business, in particular among its targeted core customer base of affluent individuals, small businesses and small business owners. Guardian's participating whole life insurance products, which have represented approximately 88% of Guardian's individual life premium income over the past five years, offer a competitive base product together with attractive riders and a competitive dividend scale, making Guardian the fourth largest writer of participating whole life premium in the industry in 2015, according to LIMRA Sales Report. In addition, Guardian's high net worth customer base has resulted in larger average premiums per policy than most of its peers; according to the 2015 LIMRA Sales Report, Guardian's average whole life only premium per policy sold was \$9,594, while the peer group's average was \$3,982. This peer group includes Massachusetts Mutual Life Insurance Company,



New York Life Insurance Company and The Northwestern Mutual Life Insurance Company. Guardian believes its term and universal life and individual disability income products are also attractive in terms of benefit features and price. Based on the 2015 LIMRA survey results, the most recent annual LIMRA survey available, Guardian's dental business ranks first in in-force PPO cases.

- *Highly productive career agent system.* Guardian's distribution model for individual products is focused on career agents, supervised by general agents and career development managers in 58 general agencies and Guardian-managed agencies. This is a critical element of Guardian's business model. Guardian's career agent system consists of over 2,750 active agents and enjoys one of the highest retention rates in the industry. Guardian's four-year average agent retention as of December 31, 2015 was 24% versus the overall 15% four-year average of the companies that participated in the 2014 LIMRA Agent Production and Retention Study. Guardian believes the benefits of a career agent model include the commitment of career agents to the long-term protection of their clients and the long-term financial success, financial strength and stability of Guardian, as well as the agents' commitment to their communities and the small businesses located there. The career system is supplemented by other distribution channels where appropriate for the product and market.
- *Long-term track record of growth and profitability.* Guardian has historically experienced strong operating results and has been profitable every year since 2003 based on net income. In 2015, Guardian generated total revenues of \$9.7 billion, net gain from operations of \$1.4 billion and net income of \$433 million. In addition, from 2003 to 2015, Guardian's net income and policyholder surplus increased at compound annual growth rates of approximately 6% and 7%, respectively.
- *Strong balance sheet with a conservative investment portfolio and solid levels of capitalization.* Guardian believes that it has strong financial strength and capitalization, as evidenced by its strong insurance financial strength/claims paying ability ratings from the rating agencies and its regulatory capital ratios, which historically have been in excess of the levels required by regulatory authorities. S&P, Moody's, Fitch and A.M. Best currently report a stable outlook for Guardian's financial strength rating. Guardian also believes that its investment portfolio is conservative and well-diversified. Guardian maintains a high quality fixed income portfolio, with approximately 94% of the securities in its bond portfolio, as of December 31, 2015, rated investment grade.
- *Strong Enterprise Risk Management execution.* Guardian believes that it has a strong risk management culture, internal controls and reporting and oversight system. Guardian employs experienced asset class specialists that actively manage credit and portfolio risk. Furthermore, Guardian maintains what it considers to be a low product risk profile with focus on participating life insurance and a conservative set of product guarantees.
- *Accomplished and deep management team.* Guardian's management team is composed of well-respected, seasoned executives with extensive experience in the insurance industry and at Guardian.

## Corporate Strategy

Guardian's strategic objective is to generate growth in net income and to maintain a strong and consistent policyholder dividend policy. Guardian intends to achieve its objective by pursuing the following strategies:

- *Being the trusted mutual partner, delivering financial security how, when and where its clients prefer.* By making mutuality relevant at a personal level, Guardian focuses on solutions that fit its clients' needs. Specific customer segments are targeted via appropriate channels leveraging technology to deliver products and service more efficiently.

- *Focus on profitable growth.* Guardian continues to pursue opportunities to drive profitable growth, including improving its products, expanding distribution and enhancing its service capabilities. Guardian has invested significant resources in expanding and strengthening its distribution system and the management team remains committed to distribution excellence to generate profitable growth for the company. This includes expansion into the Worksite market, where consumers are increasingly purchasing insurance products.
- *Pursue strong risk management and underwriting standards.* Guardian believes that it has a conservative, low-risk approach to operations and underwriting and actively manages product and investment risk. Consistent with its history as a mutual insurance company, Guardian is committed to pursuing high asset quality, strong capitalization and liquidity and a conservative investment philosophy. Guardian believes it utilizes reasonably conservative underwriting practices in its insurance businesses.
- *Continue to deliver superior service.* Guardian seeks to develop and maintain long-term relationships with customers through its career agent system and sales organizations, including general agents, career agents, brokers, group sales representatives and wholesalers. Guardian believes it has established a reputation for high-quality service to its customers and distribution, and remains committed to providing the superior service that has been recognized by such organizations as J.D. Power and DALBAR.

The principal product lines of Guardian and its major subsidiaries are organized into two segments set forth below:

- *Individual Markets* products include individual life insurance and individual disability income insurance products. Individual life insurance products include participating whole life insurance, universal life insurance, term life insurance and variable universal life insurance. Individual disability income insurance products, which are sold by BLICOA, include individual disability income insurance and multi-life disability income insurance. Individual Markets also includes certain wealth management and retirement savings products, which aim to meet an individual's needs through products, sold by GIAC. These products include individual fixed and variable annuities.
- *Group and Worksite Markets* products include dental, vision, life, AD&D, short- and long-term disability, stop loss, absence management administration and supplemental products such as accident, cancer and critical illness. Guardian's group business has also diversified into new areas, including dental and vision benefits for government programs as well as dental support organizations.

Guardian distributes its individual products primarily through a career agent force, which consists of agencies managed by general agents and career development managers, consisting of career agents and brokers who sell products directly to the customer. Guardian distributes its group products through group sales representatives, brokers, benefit consultants and its career agents. At December, 2016, Guardian had over 230 group sales professionals and over 85 account managers, and over 15,500 active group brokers and benefit consultants.

The following table sets forth Guardian's and its subsidiaries' statutory selected summary financial data by main product line of business for the periods indicated. Certain of the financial information used to prepare the following table is not derived from the Statutory Financial Statements contained in this Memorandum. The Statutory Financial Statements are prepared in accordance with SAP and, therefore, are presented on a parent company basis only, such that the Statutory Financial Statements do not consolidate the assets and liabilities or results of Guardian's subsidiaries. See "Financial and Accounting Matters—Summary of Principal Differences Between SAP and GAAP." The following table consolidates financial information from the Statutory Financial Statements, as well as from the statutory financial information of BLICOA and GIAC and the GAAP financial information of FCW and GIS.

|                                              | Years Ended December 31, |          |          |          |          |
|----------------------------------------------|--------------------------|----------|----------|----------|----------|
|                                              | 2015                     | 2014     | 2013     | 2012     | 2011     |
|                                              | (\$ in Millions)         |          |          |          |          |
| <b>Premium Income:</b>                       |                          |          |          |          |          |
| Individual Insurance:                        |                          |          |          |          |          |
| Individual Life Insurance .....              | \$ 3,669                 | \$ 3,576 | \$ 3,498 | \$ 3,388 | \$ 3,231 |
| Individual Disability Income Insurance ..... | 558                      | 537      | 513      | 493      | 476      |
| Group Insurance .....                        | 3,474                    | 3,146    | 2,888    | 2,703    | 2,763    |
| Retirement Products and Services .....       | 1,674                    | 1,498    | 1,415    | 1,927    | 1,523    |
| Other .....                                  | 7                        | 6        | 7        | 7        | (23)     |
| Total premium income .....                   | \$ 9,382                 | \$ 8,763 | \$ 8,321 | \$ 8,518 | \$ 7,970 |
| <b>Net Investment Income:</b>                |                          |          |          |          |          |
| Individual Insurance:                        |                          |          |          |          |          |
| Individual Life Insurance .....              | \$ 1,774                 | \$ 1,674 | \$ 1,607 | \$ 1,562 | \$ 1,537 |
| Individual Disability Income Insurance ..... | 191                      | 194      | 186      | 174      | 166      |
| Group Insurance .....                        | 166                      | 156      | 150      | 148      | 149      |
| Retirement Products and Services .....       | 95                       | 82       | 75       | 80       | 91       |
| Other .....                                  | 43                       | 44       | 52       | 65       | 68       |
| Total investment income .....                | \$ 2,269                 | \$ 2,150 | \$ 2,070 | \$ 2,029 | \$ 2,011 |
| <b>Net Income:</b>                           |                          |          |          |          |          |
| Individual Insurance:                        |                          |          |          |          |          |
| Individual Life Insurance .....              | \$ 251                   | \$ 122   | \$ 159   | \$ 137   | \$ 22    |
| Individual Disability Income Insurance ..... | 34                       | 47       | 53       | 39       | 27       |
| Group Insurance .....                        | 177                      | 160      | 146      | 118      | 106      |
| Retirement Products and Services .....       | (34)                     | (2)      | (87)     | (25)     | 6        |
| Other .....                                  | (17)                     | 118      | -        | (3)      | 49       |
| Total net income .....                       | \$ 411                   | \$ 445   | \$ 271   | \$ 266   | \$ 210   |

## 2015 Consolidated Statutory Reserves

2015 consolidated statutory reserves by main product line were: individual life insurance \$33,081 million; individual disability income insurance \$3,051 million; group insurance \$1,670 million; and retirement products and services \$2,952 million.

## Individual Markets

### Insurance Products

Guardian's Individual Markets line of business provides a wide range of products and services through a network of general agencies, career development managers, and affiliated career agents, independent brokers, broker-dealers and banks.

The principal products offered by the Individual Markets line of business include participating whole life insurance, universal life insurance, term life insurance, variable universal life insurance, individual disability income insurance and annuities.

Many of these products offer a range of riders that provide such benefits as waiver of premium, accidental death benefits, paid-up additions of insurance, accelerated death benefits and long-term care benefits.

Set forth below is a description of the Individual Markets line of business principal insurance products:

*Whole Life.* Whole life insurance is a participating product that provides guaranteed minimum death benefits and guaranteed cash values in return for periodic premium payments of a fixed amount. Guardian offers several types of whole life products, including products with premium due for the life of the insured and products with guaranteed limited payment periods. Guardian also offers survivorship whole life, a product that pays a death benefit upon the death of the second of two insureds. In 2015, 96% of the individual life products segment premium income was participating whole life insurance premium income. In 2015, Guardian began offering an Index Participation Feature for certain new sales of whole life insurance. Contractholders may elect to allocate 0 to 100% of the dividend associated with the policy's cash value of paid up additions to be based on the return of an S&P 500 index subject to a cap and a 4% guarantee.

*Universal Life.* Universal life insurance provides the policyholder with flexible premium payments and death benefits. Both Guardian and GIAC offer universal life products. Those sold by GIAC include secondary guarantees. Guardian and GIAC's universal life products credit premium in excess of specified sales charges to the account value of the policy, which is allocated to the fixed account backed by each company's general account. That account value includes a guaranteed principal with a minimum interest credit. The policy value is the net result of the premium payments, plus interest credits, minus expense and cost of insurance charges, minus the amount of any partial surrenders. GIAC also offers survivorship universal life, a product that insures two lives and pays a death benefit at the second death. Guardian also offers universal life insurance for the bank-owned life insurance market ("BOLI") sold in connection with corporate benefit plans, for sale to small or medium corporate purchasers for funding deferred compensation and post-retirement benefits. Sales of BOLI accounted for 0.2%, 0.4% and 0.7% of Guardian's total life insurance sales for 2015, 2014 and 2013, respectively. Guardian offers universal life products with secondary guarantees, but such products accounted for only 0.1%, 0.1% and 0.2% of sales in 2015, 2014 and 2013, respectively.

*Variable Universal Life.* Variable universal life insurance, issued by GIAC, provides the policyholder, within guidelines established by the terms of the policy, the ability to select and change premium levels, amounts of death benefit and investment options. GIAC credits premium in excess of specified sales charges (the "net premium") to the accumulation value of the policy. GIAC applies the net premium, as instructed by the policyholder, to a fixed rate account which is backed by GIAC's general account, or to one or more of GIAC's separate account investment options, or to an index-linked interest option. For variable universal life products, the policyholder bears the investment risk for cash values in the separate account investment options. GIAC deducts monthly charges, including the cost of insurance, mortality and expense risk charges and administrative charges from the accumulation value to which GIAC credits the net premium. There are both short term and longer term secondary guarantee options available subject to the payment of stipulated premiums. GIAC also offers variable universal life products for the corporate-owned life insurance market ("COLI") market sold in connection with corporate benefit plans, for sale to small or medium corporate purchasers for funding deferred compensation and post-retirement benefits. Currently, this product line may be purchased only by existing policyholders to insure additional employees or as additional coverage to existing employees.

*Term Life.* Term life insurance provides life insurance protection for a fixed period and has no cash value. Guardian offers a variety of term insurance products designed to meet varying client needs. Almost all term life insurance products allow conversion within a specified time period to one of Guardian's other permanent life insurance products.

*Disability Income.* Individual disability income insurance, which is sold by BLICOA, can help offset a portion of lost earnings, ensure continued retirement contributions, cover small business operating costs and facilitate partnership buy-outs when an individual becomes disabled. Individual disability income policies are typically sold to individual policyholders in single sale transactions. They are also sold to small groups of individuals through the multi-life disability income market.

### ***Individual Markets Product Pricing and Management***

Guardian seeks to price Individual Markets products to produce an appropriate return on invested capital consistent with Guardian's financial strength objectives. Guardian attempts to achieve long-term value for policyholders by competitively managing the key financial fundamentals for each product, including investment earnings, expenses, policy persistency, mortality and morbidity (the incidence and duration of disability). For

participating whole life products, Guardian reflects actual experience in dividends, which generally represent premium refunds resulting from more favorable investment, mortality and expense experience than was reflected in the original policy pricing.

### ***Individual Insurance Principal Markets, Marketing and Distribution***

Sales of Guardian's Individual Markets products are primarily targeted at affluent and emerging affluent market segments including professionals, business owners, small- and mid-sized businesses, corporations, banks, principals and partners. Products are designed to solve fundamental as well as complex financial concerns, including estate planning, business succession planning and the funding of certain employee benefit plans.

As of December 31, 2016, Guardian sells its Individual Markets products primarily through 58 general agencies, Guardian-managed agencies and career development managers that oversee over 2,750 career agents. Guardian is investing substantially to enable its general agents, career development managers and career agents to run their businesses more effectively and better serve their customers. With increased competition in a deregulated financial services arena, Guardian believes that continued success requires increased distribution productivity and capacity. Guardian also serves clients through existing relationships with banks and broker-dealers, including PAS, a registered broker-dealer that Guardian indirectly wholly owns. PAS also provides securities brokerage and investment management services.

Guardian has recently implemented a program to help facilitate ownership transfers in its general agencies, with the goal of ensuring smooth ownership transitions and continued success in the future for successful general agencies.

### ***Individual Markets Underwriting***

Guardian balances the risk assessment process to ensure an evaluation of relative risks that seeks profitable new business and competitive product performance. Underwriting risk represents the exposure to loss resulting from actual policy experience such as mortality or morbidity risk being worse than expected in product pricing assumptions. Guardian attempts to reduce this underwriting risk through what it believes to be reasonably conservative evaluation of the risks. Guardian also attempts to reduce this underwriting risk through the use of reinsurance, although there can be no assurances this reinsurance will mitigate the risks as planned. In addition, Guardian's reinsurers may not perform as required, or its reinsurance may otherwise be inadequate. For a description of Guardian's reinsurance, see "—Reinsurance."

Guardian's Individual Markets underwriting teams for individual life and individual disability income insurance are experienced teams, with a respective average of 19 years and 13 years, of experience for individual life insurance and individual disability income insurance underwriters, respectively. Guardian believes that its approach to underwriting risk is prudent and relatively conservative.

### ***Individual Insurance Competition***

The life insurance industry is highly competitive. There are a large number of life insurance companies in the United States, many of which offer individual insurance products similar to those marketed by Guardian. In addition to competition within the industry, insurers are increasingly facing competition from non-traditional sources in the financial services industry, including mutual fund companies, banks, securities brokerage houses and other financial services entities, many of which provide alternative investment and savings vehicles for consumers. Federal legislative initiatives are affecting the financial services industry, thereby changing the environment in which Guardian competes.

Guardian competes for large life insurance sales with many other financially strong companies. The process for negotiating large sales may involve clients' advisors, consultants, attorneys and accountants. In addition, there is substantial competition for smaller sales due to the large number of companies and agents in these markets nationwide.

In the disability income market, according to the “LIMRA Disability Income Sale—U.S.” survey, the five largest writers of disability insurance, including BLICOA, account for the majority of the premiums earned in the market.

### **Individual Wealth Management and Retirement Savings**

GIAC serves the individual retirement market through its Individual Markets Division. This line of business provides financial products and programs for individuals saving for or living in retirement. In addition, many Guardian career agents are registered representatives of Guardian’s broker-dealer subsidiary, PAS, and in that capacity provide wealth management services and retirement savings products to their clients.

Below is a description of GIAC’s principal retirement-focused insurance products:

*Variable Annuities.* Variable annuities (“VAs”) are individual contracts which allow for either a single premium or flexible premiums, which may be directed to a fixed account backed by the insurer’s general account or among a number of separate account investment options for which the investment risk is borne by the contract holder. All VAs allow the owner at a later date to annuitize the contract to receive regular income payments for a specified time period and/or for his or her lifetime (or the lifetime of two people).

GIAC currently offers individual VAs to meet multiple investor needs in two series. One series of contracts offers a B-Share contract and an L-Share contract. GIAC’s B-Share contract has a seven-year surrender charge period (during which the client may be assessed a charge for surrendering or withdrawing money from his or her contract) but a lower Mortality and Expense Risk (“M&E”) charge than its L-Share product, which has a four-year surrender charge period.

The other series of individual VA contracts currently offers a B-Share contract and a C-Share contract. The B-Share contract in this series also has a seven-year surrender charge period but a lower contract charge (combined M&E and administrative charges) than the C-Share product, which has no surrender charges. This series of contracts does not offer the option to purchase a living benefit rider.

*Living Benefit Riders.* Guardian believes that recent VA sales and market share have been driven by the availability of living benefit riders, with the most popular living benefit rider in the industry being the Guaranteed Lifetime Withdrawal Benefit (“GLWB”) rider. Riders are available for an extra cost and can only be purchased in conjunction with the purchase of certain VA contracts. The GLWB rider offered by GIAC provides a client the potential ability to increase his or her withdrawal basis without regard to market performance and to withdraw a percentage of this withdrawal basis for the rest of his or her life (or the lives of a married couple). GIAC will discontinue offering variable annuities with living benefit riders on or before March 31, 2017.

*Fixed Annuities.* GIAC’s fixed deferred annuities are designed for more conservative investors and guarantee a set interest rate for a fixed period of time. GIAC currently offers a single premium deferred annuity with four-, five-, and six-year rate periods, so customers can choose a range of time periods that are best suited for their needs. The products currently offer an additional interest rate step-up of 0.10% for premiums in excess of \$100,000.

*Single Premium Immediate Annuities.* GIAC’s immediate annuities are designed to provide the customer, in exchange for a lump sum premium payment, with a guaranteed stream of income payments set to begin no later than the beginning of the 13th month after the contract is issued and guaranteed to last for the customer’s lifetime (or joint lifetime) or for a set period of time. The customer does not have access to the single premium payment other than through the stream of guaranteed payments to be provided by GIAC.

*Deferred Income Annuities.* GIAC’s DIAs are designed to provide the customer with a stream of income payments set to begin between 24 months and 40 years after the initial premium payment and guaranteed to last for the customer’s lifetime (or joint lifetime). Premium payments may be made at any time up to 13 months prior to the date that annuity payments are scheduled to begin. Each premium payment has a separate annuity payment stream,

but all payment streams are aggregated when payments begin. The customer does not have access to the premium payments other than through the stream of guaranteed payments to be provided by GIAC.

At December 31, 2015, GIAC's total VA assets totaled \$10.0 billion, while fixed annuity assets totaled \$2.1 billion. In addition, Guardian continues to invest in and expand its fixed product portfolio.

### ***Individual Annuities Principal Markets, Marketing and Distribution***

GIAC's individual VAs are distributed by the Wholesale Division of PAS and offered at the retail level through selling agreements with third party registered broker-dealers, in addition to the Retail Division of PAS.

GIAC's wholesaling force focuses solely on annuities. As of December 31, 2015, the average length of industry experience of the annuity wholesaling group is over 16 years.

### ***Individual Annuities Products and Services Competition***

There are a number of large life insurance companies that offer VA products and living benefit riders similar to those marketed by GIAC. GIAC has designed its VA and rider products with the aim of being competitive in the marketplace. Guardian's biggest competitors in the VA space are Jackson National, Nationwide, Lincoln Financial and Transamerica.

GIAC's current fixed product offerings include SPDA, SPIA and DIA. In the income annuity space (SPIA and DIA), the dominant issuers are other large mutual insurers including New York Life, MassMutual and Northwestern Mutual.

These fixed offerings complement GIAC's VA portfolio and focus on providing income benefits for its policyholders.

## **Group and Worksite Markets**

### ***Insurance Products***

Guardian entered the group insurance business in 1957, and Guardian's current Group and Worksite Markets products provide a wide range of employee benefits in all 50 states and the District of Columbia. The products are distributed predominantly through independent brokers throughout the country.

The principal products in the Group and Worksite Markets line of business include dental, vision, life insurance, AD&D, short-term disability, long-term disability, stop loss, absence management administration and supplemental health products such as accident, hospital indemnity, cancer and critical illness. Except for stop loss, all Group and Worksite Markets products are marketed on an employer funded, an employee contributory and on a voluntary (i.e., employee pay all) basis. Each Group and Worksite Markets product contains a wide range of plan design variables and options to serve the varying employee benefit needs of customers and prospective customers. In addition, Guardian's group business provides dental, vision and hearing benefits for government programs and operates a dental support organization.

Below is a description of the principal Group and Worksite Markets products:

**Dental:** Dental insurance is a term insurance product that covers the cost of dental services, subject to policy provisions such as co-payments, co-insurance and annual maximums. Guardian's primary dental product is a PPO product that provides comprehensive benefits to covered individuals, especially when they seek treatment from network dentists. As of October 2016, Guardian maintains a network of 115,000 individual dentists throughout the United States. About 75% of these dentists are directly contracted with Guardian and the remainder are in the network via partnerships with other dental networks. Through various state specific subsidiaries, Guardian also markets DHMO products in California, Florida, Illinois, Indiana, Michigan, Missouri, New Jersey, New York, Ohio, Colorado and Texas.

*Vision:* Vision insurance is a term insurance product that covers the cost of eye exams and vision aids, subject to policy provisions such as co-payments, co-insurance, and annual maximums. Guardian's primary vision product is a PPO product that provides comprehensive benefits to covered individuals, especially when they seek treatment from network providers. Guardian has partnerships with two alternative vision networks, Vision Services Plan and Davis Vision, to support the PPO product. In addition, Guardian owns the Avësis vision network, which is used for a segment of the Company's PPO vision business.

*Life Insurance:* Group life insurance is a basic term product that provides a death benefit for a fixed period and has no cash value. The product typically provides extended coverage by waiving premium for disabled employees.

*Accidental Death and Dismemberment:* AD&D is a term product that provides a death or dismemberment benefit when the cause of the death or dismemberment is due to an accident, as opposed to a health or disease related occurrence. Since death or dismemberment caused by accident is generally less frequent than death or dismemberment caused by health or disease in the adult population covered by group benefit insurance products, the premium for this coverage is relatively low.

*Short-Term Disability:* Group short-term disability insurance replaces a portion of lost earnings due to disability. While Guardian offers a range of options, the typical short-term disability policy replaces 60% of income after an individual is disabled for a week. Benefits are payable as long as the individual remains disabled, up to a maximum of typically 13 or 26 weeks, depending on the product.

*Long-Term Disability:* Group long-term disability insurance replaces a portion of lost earnings due to disability for a longer period of time than is covered by short-term disability. While Guardian offers a range of options, the typical long-term disability policy replaces 60% of income after an individual is disabled typically for 90 or 180 days, depending on the product. Benefits are payable as long as the individual remains disabled, typically up until normal retirement age.

*Critical Illness:* Critical illness is a term product that provides lump sum benefits for the diagnosis of serious conditions such as cancer, heart attack, kidney failure and stroke. Guardian's critical illness plan pays benefits directly to the member and does not coordinate with any medical insurance the member may have. Critical illness is typically marketed on a voluntary basis.

*Accident:* Accident insurance is a term product that provides indemnity benefits upon the occurrence and treatment of accidental injuries. Guardian's accident plan pays benefits directly to the member, regardless of the cost of treatment, and does not coordinate with any medical insurance the member may have. Typical coverage includes payments to the member upon use of ambulance services, emergency room visits and hospitalization as well as diagnosis of fractures, burns and lacerations. Accident insurance is typically marketed on a voluntary basis.

*Cancer:* Cancer insurance is a term product that provides a lump sum benefit for the diagnosis of cancer as well as additional benefits when the member undergoes treatment. Guardian's cancer plan pays benefits directly to the member, regardless of the cost of treatment, and does not coordinate with any medical insurance the member may have. Typical coverage includes payments to the member for cancer related hospitalization, surgery, radiation and chemotherapy. Cancer insurance is typically marketed on a voluntary basis.

*Hospital Indemnity:* Hospital indemnity insurance is a term product that provides fixed benefit payments, regardless of the cost of treatment, for people with hospital stays, need of ambulance services and other specific medical treatments. The product serves as a supplement to an employee's medical plan.

*Stop Loss:* Stop loss is a term product that provides financial protection to employers who self-fund their medical benefit plans. Stop loss limits an employer's losses by covering the cost of unusually high claims in a plan year. Stop loss helps offset the cost of high claims on an individual as well as high aggregate claims for the entire plan. Stop loss proposals require in-depth underwriting.



*Absence Management Administration:* Through its wholly owned subsidiary, The Reed Group, Guardian provides administrative services, software and content subscriptions to employers and insurance carriers to manage employee absences.

*Government Programs:* Through various subsidiaries, Guardian insures and/or administers dental, vision and hearing benefits for government programs, including Medicaid, CHIP and Medicare Advantage.

*Dental Support Organization:* Through various subsidiaries, Guardian operates approximately 65 dental centers in California, Utah, Texas and Alabama. Guardian provides all management functions and contracts with dentists and hygienists who provide the clinical services.

### ***Group Insurance Product Pricing and Management***

Guardian seeks to price each Group and Worksite Markets product to produce an appropriate return consistent with Guardian's financial objectives. Guardian's group insurance products are term insurance and the pricing factors for each product line are updated regularly and the price for each group client is periodically adjusted, typically on an annual basis, subject to client renewal. Generally, Guardian sets renewal rate increases to reflect trends in morbidity and mortality on Guardian's block of business. The majority of in-force group insurance product policies, especially dental and vision, have historically received annual rate increases. Guardian maintains what it believes to be competitively priced products by managing what it considers key fundamentals, including underwriting, expense management and claim costs.

### ***Group and Worksite Markets Principal Markets, Marketing and Distribution***

Sales of Guardian's Group and Worksite Markets products are primarily targeted to employers with two to 10,000 employees. The group and worksite product portfolio has a wide range of options to serve the needs of varying customer segments.

Guardian sells its group and worksite products primarily through independent brokers. As of December 2016, Guardian maintains a staff of over 230 group sales professionals plus over 85 account managers located in 52 offices across the country who cultivate and manage relationships with independent brokers. As of December 2016, over 15,500 brokers have group insurance product business in force with Guardian.

In addition, Guardian maintains a group of over 275 contracted enrollers across the country. These individuals are part of the sales process and conduct employee enrollment meetings for group and worksite products that are sold on a voluntary basis.

### ***Group and Worksite Markets Product Underwriting***

Guardian balances the risk assessment process to ensure an evaluation of relative risks both at the issuance of new business as well as the annual renewal of in-force policies. Underwriting risk reflects the exposure to actual loss experience adversely deviating from product pricing assumptions, specifically morbidity and mortality assumptions. Most underwriting is at the group level, reflecting prior claim experience, group demographics and plan design parameters.

### ***Group and Worksite Markets Product Competition***

The group insurance product industry is highly competitive, with a mix of national and regional competitors that vary by product type and employer size segment. In general, dental insurance tends to have more regional competition, as the product strength is often associated with the local provider network. There are also many dental insurers that compete in multiple regions throughout the country. Group life and disability competitors tend to be more national in scope, although some tend to focus on specific employer size segments.

Guardian competes through its long-term relationships with brokers in markets throughout the country, a wide and flexible product portfolio, a large dental network and superior customer service.

## **Investment Management**

Investment advisory services are provided to Guardian, its affiliates and various unaffiliated individual and institutional investors primarily through Guardian's investment management staff and its subsidiaries. The primary focus of investment management at Guardian is to manage the general account assets of Guardian and its subsidiaries. The invested assets of Guardian's general account have grown from \$37.7 billion at December 31, 2013 to \$43.2 billion at December 31, 2015.

Guardian's investment objectives are to (1) protect financial strength and ratings, (2) provide competitive long-term dividends and (3) execute a competitive long-term asset allocation strategy. The goal of Guardian's asset/liability management is to structure the risk/reward profile of the asset portfolio in an optimal manner relative to the liabilities. Guardian's investment strategy focuses on supporting product liabilities in light of total return, yield, liquidity, cash flow and diversification considerations. Guardian's general account investments primarily back participating whole life products. Guardian's subsidiaries also aim to match asset portfolios to relevant characteristics of the liabilities.

Guardian utilizes a wide array of investment instruments to carry out its portfolio management activities. The investment strategies Guardian uses in managing its asset portfolios are generally aimed at maximizing the long-term total rate of return.

Guardian also provides its customers access to a wide range of investment products, some of which are distributed through its subsidiary, PAS. Further, Guardian provides certain third party asset management services to institutional counterparties through subsidiaries of GIS. In the third quarter of 2016, a collateralized loan obligation special purpose vehicle ("CLO") managed by Park Avenue Institutional Advisers LLC ("PAIA"), a GIS subsidiary, issued \$406 million in debt instruments, of which Guardian purchased \$43 million in subordinated notes. Depending on market conditions and regulatory developments, Guardian may, in the future, make additional investments in equity, debt or subordinated debt interests issued by additional CLOs managed by PAIA.

## **Reinsurance**

Guardian enters into reinsurance agreements with other insurance companies in the normal course of business. Total premium ceded for the years ended December 31, 2015, 2014 and 2013 was \$250 million, \$241 million and \$227 million, respectively. Premiums ceded to reinsurers are reported as a reduction of premium revenue in the Statement of Operations. The reinsurance agreements create no right or legal relationship between the reinsurer and the insured, owner or beneficiary of any insurance policy reinsured under these agreements. Guardian remains liable to the insured for the payment of benefits, and must make such payments if the reinsurer cannot meet its obligations under the reinsurance agreements.

Guardian participates in automatic reinsurance and facultative reinsurance. Automatic reinsurance is reinsurance in which the ceding company is obligated to cede, and the reinsurer is obligated to assume, risks which meet specific criteria based on the provisions of the reinsurance agreement and the ceding company's underwriting. Facultative reinsurance is reinsurance of individual risks at the option of the reinsurer and the ceding company, whether under a treaty of reinsurance or by negotiation with respect to an individual risk. The reinsurer is free to accept or reject the offerings of the ceding company, and the reinsurer may specify its own ratings or terms for the reinsurance. Automatic reinsurance can be ceded to a pool of reinsurers on a first dollar quota-share or excess of retention basis. Under first dollar quota-share arrangements the ceding company retains a certain percentage of the risk on each policy, in a given class of business, and cedes the remaining portion to a pool of reinsurers based on predetermined shares. In an excess of retention arrangement, the ceding company keeps amounts up to its maximum capacity (full retention limit) on any one life and cedes the remaining amount to one or more reinsurers. When reinsured with more than one reinsurer, the amounts in excess of the ceding company's capacity may be ceded based on an alphabetic split (depending on the insured's last name) or based on predetermined shares.

Guardian's maximum retention limit for participating whole life, universal life and variable universal life is generally \$15 million of death benefit per life. Any death benefit in excess of the \$15 million retention is ceded to a pool of reinsurers under excess of retention arrangements. Guardian may selectively retain a greater amount of coverage on two individuals in connection with joint and last survivorship policies. For term policies, Guardian's

maximum retention is currently \$2 million of death benefit per life. Any death benefit in excess of the \$2 million retention is ceded to a pool of reinsurers under excess of retention arrangements. Guardian coinsured between 76% and 90% of all term life insurance business on a first dollar quota share basis until May 1, 2014. Starting May 1, 2014, Guardian cedes amounts in excess of \$2 million per life of newly issued term life insurance to a pool of four reinsurers on an automatic yearly renewable term basis. Term life insurance business may also be ceded to the same four reinsurers on a facultative basis. Also, beginning May 1, 2014, Guardian has coinsurance with funds withheld under a reinsurance agreement with one reinsurer, covering 90% of Guardian's level term life insurance amounts net of the excess of \$2 million dollar on term life retention yearly renewable term reinsurance.

As of December 31, 2015, Guardian ceded \$139 billion of individual participating whole life, individual universal life and individual term death benefit to reinsurers, or 42% of the total individual life death benefit coverage in-force. Claims ceded to reinsurers are reported as a reduction of benefits payments to policyholders and beneficiaries in the Statement of Operations.

Historically, BLICOA's retention on individual disability income policy monthly benefits has varied from \$4,000 to \$10,000 per life on policies issued before January 1, 2016. Amounts in excess of BLICOA's retention limits were reinsured with third-party with reinsurers. For policies issued on or after January 1, 2016, BLICOA has ceased reinsurance of new business and retains 100% of the risk.

### ***Reinsurance with Unaffiliated Companies***

For all participating whole life policies, universal life policies with secondary guarantees and universal life policies without secondary guarantees policies, issued directly by Guardian through June 1, 2015, where Guardian's retention is exceeded, Guardian has an automatic yearly renewable term reinsurance program involving four reinsurers. Business may also be ceded to the four automatic reinsurers on a facultative basis. Guardian has one reinsurance program open to new business for facultative cases and cases that exceed the automatic binding limits that may also be submitted facultatively on a case-by-case basis to the reinsurer. Guardian cedes approximately 10% of its participating whole life, universal life with secondary guarantee and universal life without secondary guarantee life insurance face amounts under these programs. Guardian also has a yearly renewable term first dollar quota-share program under which Guardian cedes 90% of universal life policies without secondary guarantee, issued directly by Guardian since June 1, 2015, to two reinsurers.

Guardian coinsured between 76% and 90% of all term life insurance business on a first dollar quota share basis until May 1, 2014. Starting May 1, 2014, Guardian cedes amounts in excess of \$2 million per life of newly issued term life insurance to a pool of four reinsurers on an automatic yearly renewable term basis. Term life insurance business may also be ceded to the same four reinsurers on a facultative basis. Also, beginning May 1, 2014, Guardian has coinsurance with funds withheld under a reinsurance agreement, with one reinsurer, covering 90% of Guardian's level term life insurance amounts net of the excess of \$2 million retention.

Guardian has various yearly renewable term first dollar quota-share agreements under which Guardian cedes 90% of all secondary guarantee universal life premiums that it had assumed from GIAC to third-party reinsurers. Guardian also maintains several reinsurance programs covering life insurance products that Guardian no longer writes.

As of December 31, 2015, Guardian's two largest reinsurance counterparties accounted for 30% and 22%, respectively, of the outstanding individual life insurance reinsurance in-force by face amount. As of December 31, 2015, measured by reference to reserve credit taken by Guardian, Guardian's five largest life reinsurers had financial strength ratings from S&P of A or better. These five companies represented more than 90% of Guardian's ceded life reinsurance reserve credit.

BLICOA coinsured 90% of all term life insurance business on a first dollar quota share basis with five third-party reinsurers, with the exception of 5 and 10-year term policies issued between April 1, 2004 and June 30, 2005, which were 76.5% coinsured. All of these agreements covering BLICOA's term life insurance are closed to new business.

BLICOA has reinsurance on its individual disability income policies issued prior to January 1, 2016 for the monthly benefits payable in excess of a specified dollar amount per individual insured. Individual disability income policies issued on or after January 1, 2016 are not reinsured. In addition, BLICOA maintains an excess of loss reinsurance arrangement on a closed block of non-cancelable disability income insurance. Approximately 10% of newly issued premium is reinsured.

BLICOA has coinsurance treaties with two companies to which it cedes 90% of the risks for all of its long-term care products. BLICOA stopped writing long-term care insurance in 2012 and currently has \$65 million of direct premium in-force (\$6 million net premium).

Guardian has some reinsurance on selected group products. Group life and AD&D insurance are reinsured for excess of a certain face amount on an individual certificate. Group long-term disability has reinsurance for monthly benefits over a certain dollar amount on an individual certificate. Stop loss also has reinsurance for individual claims that exceed a defined amount in a policy year.

GIAC reinsures certain living and death benefit guarantees within its VA business. GIAC has a coinsurance agreement with one reinsurer covering 90% of various GMWB riders that were written through December 2008 and introduced prior to September 2008. That reinsurer is an admitted reinsurer in New York. The financial strength ratings of this reinsurer from S&P and Moody's are AA- and Aa3, respectively. The reinsurance treaty remains in effect for any business written on these riders through December 2015. The remainder of the business written on these riders is subject to a hedging program. Beginning in September 2008, new GMWB rider forms were introduced, and the business written pursuant to these new rider forms is not subject to reinsurance, instead 100% of such business is subject to the hedging program. For a description of this hedging program and its limitations, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Information about Market Risk—Hedging Programs." At December 31, 2015, the account value of all GMWB contracts was approximately \$7.0 billion before reinsurance and \$6.3 billion after reinsurance. At December 31, 2014, the before and after reinsurance account values were \$6.9 billion and \$6.1 billion, respectively. At December 31, 2013, the before and after reinsurance account values were \$6.4 billion and \$5.5 billion, respectively. In addition, the net amount at risk was \$653 million, \$84 million and \$64 million at December 31, 2015, 2014 and 2013, respectively. In addition, the account value associated with the GMIB risk is 100% reinsured with a third party reinsurer, representing \$82 million, \$99 million and \$113 million of related account value as of December 31, 2015, 2014 and 2013, respectively. GIAC provides a death benefit if the contract value is less than the guaranteed minimum amount. Most base contracts include a death benefit based on a ROP. Additionally, GIAC offers elective death benefit riders that may provide a greater death benefit than the ROP amount. All GMDB annual benefit elective riders issued through December 2009 are 100% reinsured with two third party reinsurers, each of which has a financial strength rating of at least AA- from S&P. To the extent the GMDB annual benefit elective rider was purchased, ROP benefit risk was also reinsured with such third-party reinsurers for certain issue years. Depending on the type of GMDB annual death benefit rider purchased, the ROP portion of coverage ended for contracts issued either on or after April 2005 or January 2009, and such risks are no longer reinsured.

GIAC sold its 401(k) business to Ameritas in a combined asset sale and reinsurance transaction that closed on September 1, 2016. The parties entered into a Reinsurance and Administration Agreement (the "Agreement") providing for coinsurance of all general account liabilities associated with the business and modified coinsurance of the liabilities associated with the Separate Accounts (i.e., 401(k) contributions made by plan sponsors and plan participants). The initial general account coinsurance premium was \$150 million while the initial Separate Account modified coinsurance premium was \$3.2 billion. This Agreement also provides for an assumption/novation to Ameritas of each customer contract associated with the 401(k) business beginning 24 months following closing, and provides for administration by Ameritas of the reinsured business. Ameritas bears all economic risk for this business as of September 1, 2016.

Prices on reinsurance can, subject to treaty terms on notification, be increased on both yearly renewable term and coinsurance business. Guardian's treaties generally require a six-month advance notice to change prices. Although reinsurers have historically tended to prospectively increase rates on yearly renewable term agreements or decrease allowances under coinsurance treaties, which results in a less favorable financial result for the ceding company, reinsurers can increase rates on both a prospective and retrospective basis. Although unusual, a reinsurer may notify a company that subject to the notification period, it will not accept any new business at any price. More

typically, a reinsurer will notify a company that after a certain date, given appropriate notice, either yearly renewable term rates or coinsurance allowances will change for any new business under the treaty. If this situation were to occur for either existing or new business, Guardian has the right to find other reinsurers and renegotiate the treaty, either with the existing reinsurers or with new parties. There are no guarantees that rates charged by reinsurers will not increase in the future, either for new or existing business.

### ***Reinsurance with Affiliates***

Guardian and third parties enter into coinsurance, modified coinsurance and yearly renewable term agreements with GIAC to provide for reinsurance of selected GIAC VA contracts, group 401(k) plans and group life and individual life policies. Under the terms of the modified coinsurance agreements with GIAC, reserves ceded to the reinsured business and corresponding assets held by GIAC amounted to \$403 million as of December 31, 2015. The reinsurance contracts do not relieve GIAC of its primary obligation for policyholder benefits. Failure of reinsurers to honor their obligations could result in losses to GIAC; consequently, GIAC evaluates the financial condition of its reinsurers in order to minimize its exposure to losses from reinsurer insolvencies. Guardian also has a first dollar quota-share coinsurance/modified coinsurance and subsequent first dollar quota-share yearly renewable term agreement with GIAC whereby Guardian assumes 90% of the risks on certain variable life and variable universal life policies sold by GIAC. These reinsurance agreements with GIAC are closed to new business.

On September 1, 2016, GIAC completed the transfer of its group 401(k) in-force business to Ameritas, with the intent to novate this business to Ameritas over a period of time. The transfer was structured as a reinsurance transaction and contains coinsurance and modified coinsurance features. Under the agreement, Ameritas indemnifies GIAC's general account liabilities and separate account liabilities using coinsurance and modified coinsurance, respectively.

Guardian has two coinsurance treaties in effect with BLICOA: (1) effective concurrently since the creation of BLICOA in 2001, Guardian cedes 100% of its direct individual disability business to BLICOA; and (2) effective as of January 1, 2013, Guardian assumes 80% of BLICOA's net individual disability business which includes the business ceded to BLICOA in the treaty referenced in clause (1) above, as well as business written directly by BLICOA.

Guardian also has a quota-share coinsurance/modified coinsurance agreement with BLICOA whereby Guardian assumed the risk on certain universal life policies sold by BLICOA. Guardian assumes the excess of BLICOA's retention on certain universal life policies on a yearly renewable term basis. Guardian has a quota-share coinsurance agreement with BLICOA whereby Guardian assumed 5–10% of the risk on certain term life policies sold by BLICOA as a participant in BLICOA's term reinsurance pool. All lines covered by the agreements with BLICOA are closed to new business.

### **Legal Proceedings**

Guardian is involved in litigation arising in and out of the normal course of business, which seek both compensatory and punitive damages. Guardian is not currently litigating nor is it aware of any pending legal actions or allegations that should reasonably give rise to a materially adverse impact to its financial position or liquidity. However, the outcome of litigation cannot be foreseen with certainty.

Guardian is subject to governmental and administrative proceedings and regulatory inquiries, examinations and investigations in the ordinary course of its business. Guardian has cooperated fully with these regulatory agencies and has responded to information requests and comments.

These examination, inquiries and investigations have included industry-wide investigations of issues such as compensation and bidding arrangements and possible anti-competitive activities between insurance producers and brokers and issuers of insurance products; marketing, pricing and sales of retirement products; reimbursement practices on out-of-network medical claims; and race-based underwriting. In connection with certain of these matters, Guardian has been contacted by the SEC, FINRA, the NYSDFS, the New York Attorney General and other regulatory authorities.

Guardian believes that it is reasonable to expect that regulatory inquiries, examinations and investigations into the financial services industry will continue for the foreseeable future. It is the opinion of management that the ultimate resolution of these matters will not materially impact Guardian's financial position or liquidity. The outcome of a particular matter may be material to Guardian's operating results for a particular period depending upon, among other things, the size of the matter and level of Guardian's income for the period.

## **Regulation**

*Insurance Regulation Generally.* Guardian is licensed to transact its insurance business in, and is subject to regulation and supervision by, all 50 states of the United States and the District of Columbia. Guardian and its insurance subsidiaries are licensed, regulated and supervised in all jurisdictions where they conduct insurance business. The extent of such regulation varies. However, most jurisdictions have laws and regulations requiring the licensing of insurers and their agents and setting standards of solvency, reserves, reinsurance, capital adequacy and business conduct to be maintained by licensed insurance companies, and may regulate withdrawal from certain markets. In addition, statutes and regulations usually require the approval of policy forms and, for certain lines of insurance, the approval of rates. Such statutes and regulations in certain states also prescribe the permitted types and concentration of investments. Guardian, along with each of its insurance subsidiaries, is required to file detailed annual financial statements with supervisory agencies in each of the jurisdictions in which Guardian or such insurance subsidiary does business and its operations and accounts are subject to periodic examination by such authorities. Guardian's operations and accounts are also subject to examination by such agencies. The primary purpose of this insurance industry regulation is to protect policyholders, not holders of any securities. Guardian is also subject to federal and state laws and regulations affecting the conduct of Guardian's businesses.

The New York Insurance Law limits the sales commissions and certain other marketing expenses that may be incurred in connection with the sale of individual life insurance policies and annuity contracts issued in any state by Guardian, GIAC and BLICOA. Some group insurance products also have restrictions on commissions, although the restrictions are more limited in nature. The NYSDFS requires the filing of information on agent compensation program structure and amounts on an annual basis.

State insurance regulatory authorities and other state enforcement agencies may from time to time make inquiries regarding Guardian's compliance with laws and regulations regarding the conduct of its insurance business. Guardian endeavors to respond to such inquiries in an appropriate way and to take corrective action if warranted. Based upon regulatory inquiries that have been made, it is Guardian's opinion that any regulatory proceedings which might be initiated following such inquiries are not likely to have a material adverse effect on Guardian's financial position or results of operations.

*Holding Company Regulation.* Guardian is subject to the New York Insurance Law governing insurance companies and their affiliates, in particular, Article 17 of the New York Insurance Law. That article places certain restrictions on transactions between Guardian and its subsidiaries and other affiliates. In addition, the NYSDFS requires reports and notifications of transactions involving Guardian and its subsidiaries and other affiliates. Some of these transactions are subject to prior approval by the NYSDFS.

Guardian's insurance subsidiaries are subject to regulation under the insurance holding company laws of various jurisdictions. The insurance holding company laws and regulations vary from jurisdiction to jurisdiction, but generally require each controlled insurance company to register with state regulatory authorities and to file with those authorities certain reports, including information concerning their capital structure, ownership, financial condition, certain intercompany transactions and general business operations and, where applicable requirements have been adopted, reports on the enterprise risk management and governance of Guardian.

The New York Insurance Law and the regulations thereunder also restrict the aggregate amount of investments Guardian may make in non-life insurance subsidiaries and provide for periodic reporting on all of its subsidiaries.

*Risk Management and ORSA.* In September 2012, the NAIC adopted the Risk Management and Own Risk and Solvency Assessment Model Act, or the "ORSA Model Act." The ORSA Model Act requires insurers that exceed specified premium thresholds to maintain a framework for managing the risks associated with their entire

holding company group, including non-insurance companies. In addition, at least annually, the insurer must prepare a summary report, or the “ORSA Report,” regarding its internal assessment of risk management and capital adequacy for the entire holding company group. ORSA Reports are filed on a confidential basis with the insurance holding company group’s lead regulator and made available to other domiciliary regulators within the holding company group. Guardian filed its latest ORSA Report in September 2016. As of December 31, 2015, the ORSA Model Act or a related statute or regulation has been adopted in approximately 35 states, including New York, and legislation was pending or under consideration in several other states. Because the provisions of the ORSA Model Act will need to be adopted by the states in order for them to maintain their NAIC accreditation beginning in 2018, the ORSA Model Act is expected to be adopted in full or substantial part by all or most of the states over the next several years.

*Unclaimed Property Laws.* Guardian is subject to the laws and regulations of states and other jurisdictions concerning the identification, reporting and escheatment of unclaimed or abandoned funds, and is subject to audit and examination for compliance with these requirements.

*Guaranty Funds.* All 50 states of the United States and the District of Columbia have insurance guaranty fund laws requiring insurance companies doing business within those jurisdictions to participate in guaranty associations. Guaranty associations are organized to cover, subject to limits, contractual obligations under insurance policies and certificates issued under group insurance policies, issued by impaired or insolvent life insurance companies. These associations levy assessments, up to prescribed limits, on each member insurer doing business in a particular state on the basis of their proportionate share of the premiums written by all member insurers in the lines of business in which the impaired or insolvent insurer is engaged. Some states permit member insurers to recover assessments paid through full or partial premium tax offsets, usually over a period of years. Assessments levied against Guardian by guaranty associations during each of the past five years have not been material. While Guardian cannot accurately predict the amount of future assessments, Guardian believes that assessments with respect to other pending insurance company impairments and insolvencies will not have a material adverse effect on Guardian’s financial position or results of operations.

*Policy and Contract Reserve Sufficiency Analysis.* Under the New York Insurance Law, Guardian is required to conduct annually an analysis of the sufficiency of all life insurance and annuity statutory reserves. Each year Guardian must submit an opinion of a qualified actuary that states that Guardian’s statutory reserves, when considered in light of the assets held with respect to such reserves, make good and sufficient provision for Guardian’s associated contractual obligations and related expenses. If reserves are viewed as being inadequate, Guardian must set up additional reserves by moving funds from surplus. As part of Guardian’s 2015 statutory annual statement, Guardian provided an actuarial opinion without qualifications regarding these reserve requirements as of December 31, 2015.

*Risk-Based Capital.* Section 1322 of the New York Insurance Law requires that New York-domiciled life insurers report their RBC based on a formula calculated by applying factors to various asset, premium and reserve items. The formula takes into account the risk characteristics of the insurer, including asset risk, insurance risk, interest rate risk and business risk. Section 1322 imposes broad confidentiality requirements on those engaged in the insurance business (including insurers, agents, brokers and others) and on the NYSDFS as to the use and publication of RBC data.

Section 1322 gives the Superintendent explicit regulatory authority to require various actions by, or take various actions against, insurers whose total adjusted capital does not exceed certain RBC levels. As of December 31, 2015, Guardian’s total adjusted capital was in excess of each RBC level that might require Guardian to take remedial action.

BLICOA and GIAC are also subject to RBC requirements. Certain FCW subsidiaries are insurance entities subject to RBC requirements, while FCW itself, not being an insurer, is not. As of December 31, 2015, the total adjusted capital of each of BLICOA, GIAC and the relevant FCW subsidiaries was in excess of each RBC level that might require BLICOA, GIAC or a relevant FCW subsidiary to take some remedial action.

*Statutory Examinations.* As part of their routine regulatory oversight process, state insurance departments conduct periodic detailed examinations of the books, records and accounts of insurers domiciled in their states.

These examinations are generally conducted in cooperation with the departments of two or three other states under guidelines promulgated by the NAIC. The NYSDFS last completed its statutory examination of Guardian for the four-year period ending December 31, 2013 and issued a final report on exam findings on June 19, 2015.

Various state insurance departments also periodically examine non-domestic insurance companies conducting business in their states, including Guardian and its insurance subsidiaries. The purpose of these periodic examinations is to evaluate the companies' compliance with state insurance laws and regulations and to determine if operations are consistent with the public interest of the policyholders resident in the state conducting the examination.

*NAIC Ratios.* On the basis of statutory financial statements filed with state insurance regulators, the NAIC calculates annually 13 financial ratios to assist state insurance regulators in monitoring the financial condition of insurers. State insurance regulators review this statistical report, which is available to the public, together with an analytical report, prepared by and available only to state insurance regulators, to identify insurance companies that appear to require immediate regulatory attention. A "usual range" of results for each ratio is used as a benchmark. In general, departure from the "usual range" on four or more of the ratios can lead to inquiries from individual state insurance departments. Guardian had no ratios outside the "usual range" in 2015 and 2014.

*Surplus and Capital.* The New York Insurance Law requires Guardian to maintain at least \$150,000 in surplus. In addition to this minimum, there are also risk-based capital requirements, as discussed above. Guardian and its insurance subsidiaries are subject to the supervision of the regulators in each jurisdiction in which they are licensed to transact business. These regulators have discretionary authority, in connection with the continued licensing of Guardian or any of these insurance subsidiaries, to limit or prohibit its sales to policyholders if such regulators determine that any such insurer has not maintained the minimum surplus or capital required or that such insurer's further transaction of business would be hazardous to policyholders.

*Policyholder Dividend Requirements.* New York Insurance Law Section 4219 limits the amount of surplus attributable to participating business that a domestic life insurance company may accumulate. Guardian is in compliance with that limit. Guardian distributes amounts of divisible surplus annually in the form of dividends on Guardian's participating policies in accordance with dividend scales approved annually by Guardian's Board of Directors.

*Regulation of Investments.* Guardian and each of its insurance subsidiaries is subject to state laws and regulations that require diversification of its investment portfolios and limit the amount of investments in certain asset categories, such as below-investment-grade fixed income securities, equity real estate, mortgages, other equity investments, foreign investments and derivatives. Failure to comply with these laws and regulations would cause investments exceeding regulatory limitations to be treated as non-admitted assets for purposes of measuring statutory surplus, and, in most instances, require divestiture. Guardian believes its investments and those of each of its insurance subsidiaries comply with all such laws and regulations.

*Federal Income Taxation.* Congress has, from time to time, considered legislation that could increase or change the manner of taxing the products Guardian sells and of calculating the amount of taxes paid by life insurance companies or other corporations, including Guardian. In recent years, proposals have been made to limit a life insurance company's "dividends received deduction" with respect to variable life insurance and annuity contracts sold by them. Changes in the rules relating to policy acquisition costs and tax reserving methodologies for various Guardian products that could also result in higher current taxes to Guardian have also been proposed. In June 2016, House Republicans issued the Blueprint setting forth certain proposals for significant tax reforms. President-elect Trump also issued a high-level outline of his tax reform plan during his campaign that is consistent with the Blueprint in many respects. The Blueprint generally proposes, among other things, to eliminate the deductibility of net interest expense and reduce income tax rates. To the extent that any such legislation is enacted in the future, Guardian could be adversely affected.

The attractiveness to Guardian's customers of many of its products is due, in part, to favorable tax treatment. Current federal income tax laws generally permit the tax-deferred accumulation of earnings on the premiums paid by the holders of life insurance and annuity products. Taxes, if any, are payable generally on income attributable to a distribution under the contract for the year in which the distribution is made. Death benefits under



life insurance contracts may be received free of federal income tax. Congress has, from time to time, considered legislation that could have the effect of reducing or eliminating the benefit of such deferral of taxation or otherwise affect the taxation of life insurance or annuity products. As a result, demand for certain of Guardian's life insurance and annuity products that offer income tax deferral could be negatively impacted. To the extent that legislation is enacted in the future to reduce the tax deferred status of life insurance or annuity products, limit the exclusion of death benefits from income, or reduce the taxation of competing products, all life insurance companies, including Guardian, could be adversely affected. Likewise, reductions in individual tax rates could reduce the attractiveness of tax deferral to Guardian's potential customers.

Congress has from time to time also considered material changes to the estate tax, which both the Blueprint and Trump outline propose to repeal. Many of Guardian's products are sold to customers in order to help them meet their estate tax planning needs. To the extent that legislation is enacted in the future that would materially change the estate tax, sales of Guardian's products could be adversely affected.

In those jurisdictions in which Guardian does business, Guardian's taxes could increase as a result of changes in laws or regulations or in the interpretation of applicable tax laws and regulations. Also, changes in corporate tax rates in these jurisdictions could affect the value of deferred tax assets and deferred tax liabilities. Furthermore, the value of deferred tax assets could be affected by Guardian's future earnings levels.

See "Risk Factors—Risk Factors Related to Guardian—Changes in tax laws and the interpretation thereof could adversely affect Guardian's business."

*Securities Laws.* Certain of Guardian's direct and indirect subsidiaries and certain policies and contracts offered by them, are subject to various forms of regulation under the federal securities laws administered by the SEC, state securities laws and FINRA rules. Certain of Guardian's direct and indirect subsidiaries, such as PAS and Park Avenue Institutional Advisers LLC ("PAIA"), are investment advisers registered under the Investment Advisers Act of 1940, as amended. In addition, PAS is a broker-dealer with the SEC under the Exchange Act, and is a member of, and subject to regulation by, FINRA.

In addition, certain separate accounts of GIAC related to its variable insurance products and a variety of mutual funds advised or subadvised by PAIA are registered under the Investment Company Act of 1940, as amended. The separate account interests under the variable products issued through these registered separate accounts and shares offered by these registered mutual funds are registered under the Securities Act.

Federal and state securities regulatory authorities, state attorneys general and FINRA from time to time make inquiries regarding compliance by Guardian and its subsidiaries with securities and other laws and regulations regarding the conduct of their securities businesses. Guardian endeavors to respond to such inquiries in an appropriate way and to take corrective action if warranted.

These laws and regulations are primarily intended to benefit investors in the securities markets and generally grant supervisory agencies broad administrative powers, including the power to limit or restrict the carrying on of business for failure to comply with such laws and regulations. In such event, the possible regulatory sanctions include the suspension of individual employees or associates, limitations on the activities in which the regulated entity may engage, suspension or revocation of an investment adviser's or broker-dealer's registration as an adviser or broker-dealer, censure and fines. Guardian's direct and indirect subsidiaries may also be subject to similar laws and regulations in the states in which they provide investment advisory services, offer the products described above, or conduct other securities-related activities.

*Federal Insurance Initiatives and Legislation.* Although the federal government has not directly regulated the insurance business, federal initiatives often have an impact on Guardian's life insurance business. Current and proposed measures that may significantly affect the insurance business generally include proposals to create an optional federal charter for insurers, limitations on anti-trust immunity, minimum solvency requirements, and other proposals at the federal level to streamline state insurance regulatory processes. Guardian cannot predict whether these proposals will be adopted, or, if adopted, the impact, if any, such proposals could have on Guardian's business, results of operation or financial condition. At the present time, Guardian does not know of any federal legislative initiatives that, if enacted, would adversely impact its business, results of operations or financial condition. See

“Risk Factors—Risk Factors Related to Guardian. Guardian is subject to extensive regulation, which restricts its operations and imposes compliance costs” and “Risk Factors—Risk Factors Related to Guardian—The Dodd-Frank Act and certain other potential changes in federal laws and regulations may adversely affect Guardian’s business, results of operations and financial condition.”

In July 2010, Congress passed, and then-President Obama signed, the Dodd-Frank Act. Policy and rule-making conducted after the enactment of the Dodd-Frank Act has and will continue to significantly change financial regulation. Guardian cannot predict the full impact this financial reform legislation will have on its business, results of operations or financial condition. The Dodd-Frank Act establishes a general framework for systemic regulation that has imposed and will impose mandatory clearing, exchange trading and margin requirements on many derivatives transactions. A possible effect of the Dodd Frank Act could be to increase Guardian’s overall costs of entering into derivatives transactions. In particular, new margin requirements and capital charges, even when not directly applicable to Guardian, may increase the pricing of its derivatives transactions.

While Guardian is not directly subject to the margin requirements for non-cleared swaps adopted by the U.S. banking agencies and the CFTC (and proposed by the SEC), Guardian will be indirectly impacted by these requirements for non-cleared swaps entered into with registered SDs. Beginning on the relevant compliance dates, Guardian will be required to post initial margin on a daily basis to its SD counterparties in an amount that the counterparty determines appropriate, and to exchange variation margin on a daily basis with its SD counterparties based on the daily fair value of the non-cleared swaps. In addition, since eligible margin under the rules will be restricted to cash or highly liquid securities, Guardian’s cost of using derivatives and managing collateral will increase. The compliance dates for the margin rules are phased in, commencing September 1, 2016 and ending March 1, 2017 (with respect to variation margin) and September 1, 2020 (with respect to initial margin), with the applicable compliance date depending on the volume of Guardian’s own swaps (combined with its affiliates) and its SD counterparties’ swaps (combined with their affiliates).

To the extent that Guardian’s SD counterparty collects initial margin from it, Guardian may request that the SD counterparty segregate all such initial margin at a custodian. If Guardian does not request segregation, the custodian or counterparty may commingle such assets or collateral with the custodian’s or counterparty’s own assets or collateral, and in the event of the bankruptcy or insolvency of the custodian or counterparty, such assets and collateral may be subject to the conflicting claims of the creditors of the relevant custodian or counterparty, which may result in a loss to Guardian.

In addition, where Guardian enters into certain swaps that are subject to mandatory clearing, Guardian will be required to execute such swaps on a registered exchange or trading platform. While Guardian will benefit from reduced counterparty credit and operations risk and price transparency resulting from these clearing and trading requirements (where applicable), Guardian will incur additional costs in trading these swaps. While Guardian will attempt to ensure that these swaps are executed, cleared and settled through entities it believes to be sound, there can be no assurance that a failure by any such entity will not cause a loss to Guardian.

Where Guardian enters into a swap with non-U.S. counterparties, the regulations of the home or resident country of such counterparty may apply with respect to such swap. The requirements and protections afforded to Guardian under such non-U.S. regulations may be materially different from those under U.S. laws. For example, the European Union regulations on derivatives will impose position limits on commodity transactions, and the EMIR already requires reporting of derivatives and various risk mitigation techniques to be applied to derivatives entered into by parties that are subject to the jurisdiction of EMIR. In the near future, certain entities will be subject to a mandatory clearing requirement with respect to certain of their OTC derivatives, as well as initial and variation margin requirements with respect to their non-cleared derivatives, under the regulations implementing EMIR. These European Union regulatory changes will impact a broad range of counterparties, both outside and within the European Union, and are expected to potentially increase our costs of transacting derivatives (particularly with banks and other dealers directly subject to such regulations).

As a result of these regulatory requirements and the reduced availability of certain customized derivatives, the costs of Guardian’s hedging transactions have and may continue to increase.

The Dodd-Frank Act also established an FSOC which has authority to designate non-bank financial companies as non-bank SIFIs thereby subjecting them to enhanced prudential standards and supervision by the Federal Reserve. The prudential standards for non-bank SIFIs include enhanced RBC requirements, leverage limits, liquidity requirements, single counterparty exposure limits, governance requirements for risk management, stress test requirements, special debt-to-equity limits for certain companies, early remediation procedures and recovery and resolution planning. If the FSOC were to determine that Guardian is a non-bank SIFI, Guardian would become subject to certain of these enhanced prudential standards. Other regulators such as state insurance regulators may also determine to adopt new or heightened regulatory safeguards as a result of actions taken by the Federal Reserve in connection with its supervision of non-bank SIFIs. There can be no assurance that such new or enhanced regulation will not apply to Guardian.

In addition, the Dodd-Frank Act established the FIO within the U.S. Department of the Treasury, which has the authority, on behalf of the United States, to participate in the negotiations of international insurance agreements with foreign regulators, as well as to collect information about the insurance industry and recommend prudential standards. While not having a general supervisory or regulatory authority over the business of insurance, the director of the FIO will perform various functions with respect to insurance, including serving as a non-voting member of FSOC and making recommendations to the FSOC regarding insurers to be designated for more stringent regulation. On December 12, 2013, the FIO issued a report to Congress setting forth recommendations on modernization of the system of insurance regulation in the United States. The report raised the possibility of a greater role for the federal government if states do not achieve greater uniformity in their laws and regulations. In 2014, the FIO submitted a second report to Congress which described the breadth of the global reinsurance market and its critical role in supporting the U.S. insurance system.

Federal agencies have been given significant discretion in connection with rulemaking pursuant to and implementation of the Dodd-Frank Act. The full impact of the Dodd-Frank Act on Guardian will not be determined until the numerous regulations required by the act are finalized, which may not occur for some time. Additionally, it is unclear what impact the Trump administration's policies and a Republican majority in both chambers of Congress will have on the Dodd-Frank Act and the resulting impact on Guardian's business, financial condition or results of operations. Guardian cannot predict whether any such legislation or regulatory changes will be adopted, or what impact they will have on Guardian's business, financial condition or results of operations.

Federal legislation and administrative policies in other areas, including employee benefit plan regulation and individual retirement account regulation, federal taxation and securities regulation, could significantly affect the insurance industry and the costs faced by its participants. For example, in 2016, the DOL finalized regulations which expand the circumstances in which sales personnel, such as agents and registered representatives, or service providers to employee benefit plans and individual retirement accounts are considered fiduciaries under ERISA. The regulation is scheduled to go into effect in April 2017, although there has been public speculation that the Trump Administration may postpone the effective date or take other actions that would mitigate the impact of the regulatory change.

*USA PATRIOT Act.* Title III of the USA PATRIOT Act of 2001 (the "PATRIOT Act") amends the Money Laundering Control Act of 1986 and the Bank Secrecy Act to expand Anti-Money Laundering ("AML") and financial transparency laws applicable to financial services companies, including some categories of insurance companies. The PATRIOT Act, among other things, seeks to promote cooperation among financial institutions, regulators and law enforcement entities in identifying parties that may be involved in terrorism, money laundering or other illegal activities. To the extent required by applicable laws and regulations, Guardian and certain of its subsidiaries that are deemed "financial institutions" under the PATRIOT Act have adopted anti-money laundering programs that include policies, procedures and controls to detect and prevent money laundering, designate a compliance officer to oversee the program, provide for on-going employee training, and ensure periodic independent testing of the program. Guardian's AML programs, to the extent required, also establish and enforce customer identification programs and provide for the monitoring and the reporting to the Treasury of certain suspicious transactions.

*Pension Legislative Developments.* On September 27, 2010, then-President Obama signed the Small Business Jobs Act of 2010 ("SBJA"). SBJA focuses mainly on credits for small businesses but has a major pension

provision which permits participants to transfer money from a pre-tax account to a Roth account within a “qualified plan.”

On July 6, 2012, President Obama signed the Moving Ahead for Progress in the 21st Century Act (“MAP-21”) which, among other things, affects pension funding by changing the mechanism for determining interest rates to be used for funding pension plans; it also increased pension benefit guaranty corporation (“PBGC”) premiums.

The Supreme Court in *United States v. Windsor* (2013) found that Section 3 of the Defense of Marriage Act (“DOMA”), which provides that the word “marriage” means only a legal union between one man and one woman as husband and wife, and the word “spouse” refers only to a person of the opposite sex who is a husband or a wife is unconstitutional because it violates the principles of equal protection.

The impact of any of the above may have a positive impact on the demand for retirement vehicles.

*ERISA Considerations.* Until December 31, 2016, Guardian and its subsidiaries issued certain investment products and services to employee benefit plans governed by ERISA, including group annuity contracts and funding agreements designed to fund tax-qualified retirement plans such as 401(k), profit-sharing and other participant directed plans, as well as defined benefit plans. ERISA provides (among other requirements) standards of conduct for employee benefit plan fiduciaries, including investment managers and investment advisers with respect to the assets of such plans, and holds fiduciaries liable if they fail to satisfy fiduciary standards of conduct. Generally, Guardian and its subsidiaries have maintained policies and procedures that are intended to limit the circumstances in which Guardian or any of its subsidiaries could be deemed a fiduciary with respect to plans governed by ERISA, or to the extent that they may be deemed to have such fiduciary status, to ensure compliance with applicable ERISA requirements.

Notwithstanding the foregoing paragraph, in April 2016, the DOL released a final regulation accompanied by new class exemptions and amendments to long-standing exemptions from the prohibited transaction provisions under ERISA. The regulation redefines who is considered a “fiduciary” for purposes of transactions with qualified plans, plan participants and individual retirement accounts (IRAs). This regulation is scheduled to go into effect in April 2017, but the effective date and/or impact of this change could be affected by the change in administrations. Guardian and its subsidiaries currently expect to provide their agents with training, activities documentation tools, disclosures and client agreements that will allow the agents to continue to offer current product offerings, with limited exceptions, to retirement clients covered by the new rules on and after the effective date of the new rules.

Annuity contracts and funding agreements issued by Guardian’s insurance subsidiaries may include a “fixed option” that accrues interest and is backed by the general account of the insurance subsidiary. In 1993, the United States Supreme Court issued an opinion in *John Hancock Mutual Life Insurance Co. v. Harris Trust and Savings Bank* (“Harris Trust”), holding that certain contract holder funds held by John Hancock Mutual Life Insurance Company in its general account under a participating group annuity contract were “plan assets,” and therefore subject to ERISA’s fiduciary provisions. However, under Section 401(b)(2) of ERISA, if an insurance company issues a guaranteed benefit policy to a plan, the assets of the plan are deemed to include the policy, but do not, solely by reason of the issuance of the policy, include any assets of the insurance company. Section 401(b)(2)(B) of ERISA defines the term “guaranteed benefit policy” to mean an insurance policy or contract to the extent such policy or contract provides for benefits the amount of which is guaranteed by the insurer. Guardian’s insurance subsidiaries intend that the “fixed option” component of their annuity contracts and funding agreements qualify as guaranteed benefit policies as defined by Section 401(b)(2)(B) as further interpreted by court decisions and the DOL.

Certain lawsuits have been brought under ERISA by employer sponsors of tax-qualified retirement plans investing through group annuity contracts that offer a selection of variable investment options funded by mutual funds. Plaintiffs have alleged, inter alia, that the insurance company defendants are fiduciaries with respect to plans, and as fiduciaries, the insurance company defendants breached their fiduciary duties and engaged in prohibited transactions by receiving certain compensation from mutual funds as a result of plan investments through the annuity contracts. The ultimate impact of the case law in this area remains uncertain. Although group variable contracts and funding agreements issued to retirement plans by Guardian’s insurance subsidiaries have some features that may be similar to the features of group annuity contracts that are the subject of this litigation, neither

Guardian nor any of its insurance subsidiaries are aware that similar litigation is threatened or has been filed involving any group annuity contracts or funding agreements issued by the insurance subsidiaries. Guardian and its insurance subsidiaries are continuing to monitor whether legal developments resulting from these lawsuits warrant new or different compliance policies and procedures for this line of business.

*Environmental Considerations.* As an owner and operator of real property, Guardian is subject to extensive federal, state and local environmental laws and regulations. Inherent in such ownership and operation is the risk that there may be potential environmental liabilities and costs in connection with any required remediation of such properties. Guardian routinely conducts environmental assessments for real estate Guardian is acquiring for investment and before taking title to real property through securing mortgages Guardian holds. In addition, certain federal and state laws have provisions that can protect a mortgage lender, such as Guardian or BLICOA, from environmental liability to governmental entities in connection with properties acquired by foreclosure, if the mortgage lender observes the required procedures under those laws and otherwise meets the legal criteria for these protections. Based on these environmental assessments, Guardian believes that any costs associated with compliance with environmental laws and regulations or any remediation of such properties would not have a material adverse effect on Guardian's financial position or results of operations.

Guardian, and certain of its subsidiaries, hold equity stakes in entities that could potentially be subject to environmental liabilities. Guardian believes, based on its assessment of the businesses and properties of these entities and Guardian's level of involvement in the operation and management of such entities, Guardian would not be subject to any material environmental liabilities with respect to these investments. However, unexpected environmental liabilities can arise.

## **International Operations**

Guardian performs select operational functions in several locations in India through its Guardian India subsidiary (formerly Data Telesis). Functions performed include data entry, new business processing, billing, call center and scheduling. Guardian India provides services to Guardian and its affiliates, but no outside parties.

## **Properties**

Guardian owns two buildings located in Bethlehem, Pennsylvania on approximately 31 acres, comprising a portion of Guardian's Northeast Regional Office ("NRO") campus. These two buildings are vacant and are in the process of being sold. The balance of Guardian's NRO campus is comprised of five leased properties totaling 376,000 rentable square feet, and Guardian's annual rental obligations under these leases is approximately \$6 million.

Guardian owns a 100,000 square foot building located on 40.9 acres in Appleton, Wisconsin, the site of Guardian's Midwest Regional Office, and another 100,000 square foot building located on 32 acres in Spokane, Washington, which is the site of Guardian's Western Regional Office. Guardian occupies all 100,000 rentable square feet in Appleton. Spokane will be marketed for sale and operations relocated to a downsized leased location. In addition, Guardian owns a 136,000 square foot building in Pittsfield, Massachusetts located on 45.9 acres, occupied entirely by Guardian's wholly owned subsidiary, BLICOA.

Guardian leases 846,955 rentable square feet in New York, New York, which is the site of Guardian's Corporate Headquarters, and occupies 575,129 rentable square feet while the remaining 271,826 rentable square feet is occupied by subtenants. This lease expires September 30, 2019. Guardian's annual rental obligations under this lease are approximately \$27 million, while Guardian receives approximately \$10 million annually in subtenant rent. In January 2017, Guardian exercised its option to purchase this facility at the expiration of the lease for a fixed price.

Guardian also has approximately 64 leases totaling 417,000 rentable square feet for its corporate-owned sales operations, satellite corporate operations and subsidiary operations. Such leases typically have terms of 3 to 5 years with renewal options. Guardian's annual rental obligations under these leases are approximately \$8.9 million. In addition, Guardian subsidiaries are tenants under 70 dental center leases totaling 326,000 rentable square feet,

which typically have terms of 5 to 10 years with renewal options. Guardian's annual rental obligations under these leases are approximately \$6 million.

Guardian has approximately 8 Reed Group locations comprising 216,000 rentable square feet, with annual rental obligations of approximately \$3.9 million. In addition, Guardian has executed leases for 6 Guardian India locations comprising of 171,000 rentable square feet with annual rental obligations of approximately \$1.9 million.

Guardian has signed approximately 23 leases totaling 155,000 rentable square feet on behalf of its agency operations (for those that have not yet become general agents). Such leases typically have terms of 3 to 5 years with renewal options. Guardian's annual rental obligations under these leases are approximately \$2.8 million.

Guardian believes that such owned and leased properties are suitable and adequate for Guardian's current business operations.

### **Employees and Agents**

As of January 31, 2016, Guardian and its subsidiaries employed approximately 8,153 people. In addition, as of December 31, 2016, over 2,750 full-time career agents are engaged in the sale of Guardian's products. Approximately 30 broker-dealer entities have selling and servicing agreements for GIAC VAs (including PAS) and 531 broker-dealer entities have servicing agreements for GIAC VAs. Approximately 5 of Guardian subsidiary Access Dental Services LLC's employees are currently represented by a labor union. Guardian believes that its employee relations are generally good.

## **FINANCIAL AND ACCOUNTING MATTERS**

The historical financial information included in this Memorandum has been prepared in conformity with the statutory accounting practices prescribed by the NYSDFS.

### **Summary of Principal Differences Between SAP and GAAP**

SAP is different in some respects from financial statements prepared in accordance with GAAP. The more significant differences between SAP and GAAP are that, under SAP, (1) costs related to acquiring business, principally commissions and certain policy issue expenses, are charged to income in the year incurred; (2) life insurance and annuity reserves are based on statutory mortality and interest requirements, without consideration of withdrawals and company experience; (3) life insurance enterprises are required to establish a formula-based AVR by a direct charge to surplus to offset potential investment losses; (4) realized gains and losses resulting from changes in interest rates on fixed income investments are deferred in the interest maintenance reserve (“IMR”) and amortized into investment income over the remaining life of the investment sold; (5) bonds are carried principally at amortized cost; (6) certain reinsurance transactions are accounted for as reinsurance for statutory purposes and as financing transactions under GAAP, and assets and liabilities are reported net of reinsurance for statutory purposes and gross of reinsurance for GAAP; (7) certain “non-admitted assets” (furniture and office equipment, leasehold improvements, capitalized internally developed non-operating system software and prepaid pension costs) must be excluded under statutory reporting through a charge to surplus; (8) investments in common stock of Guardian’s wholly owned and majority owned subsidiaries are accounted for using the equity method, where earnings of such subsidiaries are recognized in surplus; only when dividends are distributed is income recognized; (9) gross deferred tax assets changes in deferred tax assets and deferred tax liabilities, except those allocated to changes in unrealized gains and losses, are recognized as a separate component of surplus; (10) deferred tax assets not meeting certain criteria are non-admitted; (11) investments in real estate joint ventures, where Guardian has a controlling financial interest, are accounted for using the equity method for statutory purposes and consolidated under GAAP; and (12) if in the aggregate, Guardian has a net negative cash balance, it is reported as a negative asset for statutory purposes and recorded as a liability under GAAP.

### **Investment Reserves**

In compliance with SAP, Guardian maintains both an AVR and an IMR. The AVR is intended to stabilize policyholders’ surplus against market fluctuations in the value of equities and credit related declines in the value of bonds, mortgage loans, public equity, private equity and real estate investments. The level of the AVR is based on both the type of investment and its credit rating. In addition, the reserves required for similar investments, for example, fixed maturity securities, differ according to the credit ratings of the investments, which are based upon ratings established periodically by the Securities Valuation Office of the NAIC. Guardian, in keeping with the New York Insurance Law and SAP, includes the reserve when determining its total adjusted capital for risk-based capital purposes. Changes in the AVR are recorded directly to surplus. The IMR defers net after-tax realized capital gains (losses) which result from changes in the overall level of interest rates for fixed income investments and amortizes these net capital gains (losses) into income over the remaining stated life of the investments sold. Guardian uses the group method of calculating the IMR. The IMR is not treated under SAP as part of the total adjusted capital for risk-based capital purposes. Net realized after-tax capital (losses)/gains of \$64 million, \$137 million and \$45 million as of December 31, 2015, 2014 and 2013, respectively, were deferred into the IMR. Amortization of the IMR into net investment income amounted to \$103 million in 2015, \$112 million in 2014 and \$80 million in 2013.

Realized investment gains and losses are reported in income based upon specific identification of securities sold. Realized losses include valuation adjustments for other-than-temporary declines in investments. Unrealized investment gains and losses on financial instruments carried at fair value represent changes in the reported fair value and are recorded directly to surplus.

### **Policyholder Dividends and Other Experience Credits**

Guardian determines the amount of dividends payable to eligible participating policyholders. These dividends have the effect of reducing the cost of insurance to policyholders and should be distinguished from the dividends paid on shares of capital stock by other types of business corporations or by stock life insurance

companies. Policies on which such dividends may be payable are referred to as eligible participating policies; policies on which such dividends are not payable are referred to as non-participating policies. However, for some participating policies where no dividends are anticipated to be paid and for nonparticipating policies, adjustments may be made to non-guaranteed premiums, policy credits and charges to reflect changes to actual mortality, investment results and expenses.

Divisible surplus in excess of the amount Guardian's Board of Directors determines to be necessary to meet its policy obligations (reserves) and contingencies (such as worsening mortality or economic conditions) and to operate and grow its business is distributed in the form of dividends on Guardian's eligible participating policies. The amount and allocation of that distribution is at the discretion of the Board of Directors. The determination of the dividend scale is made after review of actual experience and reflects the traditional three-factor approach, considering dividend interest rate, mortality and expense. For further information concerning statutory policyholder dividend requirements, see "Business of Guardian—Regulation." Guardian's Board of Directors receives the dividend scale report and recommendation from Guardian's Chief Actuary at its regular November Board meeting. The Board has an opportunity to review the report, ask questions of the Chief Actuary, and request additional information. It is the Board's responsibility to approve the following year's dividend scale. Once Board approval is received, Guardian implements the scale for the following year and all policy illustrations reflect the new scale.

### **Reserves for Policy Benefits**

SAP prescribes methods for valuing obligations under in-force policies and contracts. Those valuations are reflected in the "Reserves for policy benefits" line of the financial statements. Changes in reserves for policy benefits are generally charged against earnings in the income statement. Statutes, regulations and actuarial professional standards require Guardian to analyze the sufficiency of these reserves, using various interest rate scenarios in the context of statutory accounting practices on an annual basis.

For a discussion of Policy Reserves, see "—Critical Accounting Policies—Reserves for policy benefits."

### **Separate Accounts**

Guardian does not sell products which require separate account assets or liabilities. Any such products are sold by GIAC. Separate account assets and liabilities represent segregated funds administered and invested by GIAC for the benefit of individual and group variable annuity, variable life, and other insurance used by policyholders to meet specific insurance and investment objectives. Separate account assets consist principally of marketable securities reported at fair value and are not available to satisfy liabilities that arise from any other business of GIAC. GIAC receives administrative and investment advisory fees from these accounts.

Separate accounts reflect two categories of risk assumption: non-guaranteed separate accounts, for which the policyholder assumes the investment risk; and guaranteed separate accounts, for which GIAC contractually guarantees either a minimum return or minimum account value to the policyholder. Premium income, benefits and expenses of the separate accounts are included in GIAC's Statutory Statements of Income. Investment income and realized and unrealized capital gains and losses on the assets of separate accounts accrue to policyholders and, accordingly, are not recorded in the Statutory Statements of Income.

GIAC may transfer investments from the general account to seed separate accounts. Investments transferred to separate accounts are transferred at fair market value on the date the transaction occurs. Gains related to the transfer are deferred to the extent that GIAC maintains a proportionate interest in the separate account. The deferred gain is recognized as GIAC's ownership decreases or when the separate account sells the underlying asset during the normal course of business. Losses associated with these transfers are recognized immediately.

### **Accounting for Employee Benefit Plans**

The Company sponsors non-contributory defined benefit pension plans covering all eligible employees. These include tax-qualified plans, as well as nonqualified plans that provide benefits to certain participants in excess



of ERISA limits for qualified plans. The Company's policy is to fund the obligations of qualified plans in accordance with ERISA requirements.

In addition to pension benefits, the Company provides certain health care, dental and life insurance benefits ("post-retirement benefits") for retired employees. Substantially all of the employees and representatives may become eligible for these benefits if they reach retirement age while working for the Company.

In accordance with NAIC SAP, the costs associated with these required benefits are expensed over the period that the participant provides services to the Company, including recognition of assets and liabilities based on the funded status of the related plans. Pension assets are then non-admitted and thereby excluded from surplus.

### **Critical Accounting Policies**

The preparation of financial statements requires management to make estimates and assumptions that impact the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the statutory financial statements, and the reported amounts of revenues and expenses during those reporting periods. The most significant estimates include those used in determining the carrying values of investments and derivatives, the amount of investment valuation reserves on mortgage loans, other-than-temporary impairments and reserves for policy benefits. Future events, including but not limited to changes in the levels of mortality, morbidity, interest rates, persistency, asset valuations and asset defaults, could cause actual results to differ from the estimates used in the statutory financial statements. Although some variability is inherent in these estimates, management believes the amounts presented are appropriate.

For a complete discussion of accounting policies and practices, see the notes to the Statutory Financial Statements included in the Memorandum.

*Carrying Values of Investments and Derivatives.* Investments are valued in accordance with methods prescribed by the Securities Valuation Office of the NAIC ("SVO"). Guardian obtains the fair value of financial instruments held in its portfolio from a number of sources, which are measured at fair value, as described in the Statutory Financial Statements. These sources include published market quotes for active market exchange traded instruments, third-party pricing vendors, investment banks which are lead market makers in certain markets and broker quotes. Guardian also uses internal valuation models that use market observable inputs when available and Guardian derived inputs when external inputs are not available or deemed to be inaccurate.

Bonds are stated principally at amortized cost with bond premiums and discounts amortized using the scientific interest method. Those bonds which are rated 6 by the NAIC are reported at the lower of amortized cost or fair value. Mortgage-backed bonds are carried at amortized cost using the interest method considering anticipated prepayments at the date of purchase. Significant changes in future anticipated cash flows from the original purchase assumptions are accounted for using the retrospective adjustment method with Public Securities Association standard prepayment rates. Guardian has elected to use the book value as of January 1, 1994 as the cost for applying the retrospective adjustment method to securities purchased prior to that date. Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from issuers or broker-dealers through information services or internal estimates and are believed to be consistent with current interest rates and the economic environment.

Preferred stocks which are rated 4, 5 or 6 by the SVO are stated at the lower of cost or fair value.

Common stocks of unaffiliated companies are stated at fair value, which is based on quoted market prices. For common stocks without quoted market prices, fair value is estimated using independent pricing services or internally developed pricing models. Investments in subsidiaries and affiliates are included in common stocks and are valued at equity in the underlying net assets. Undistributed earnings or losses of subsidiaries and unrealized appreciation or depreciation on common stocks are reflected as unrealized capital gains and losses directly in surplus.

Mortgage loans are valued at amortized cost. Valuation reserves are established for potential declines in the value of the mortgage loans. Fair value is determined based upon the present value of the scheduled future cash flows of each loan based on the average term to maturity discounted at the appropriate U.S. Treasury rate, adjusted for the current market spread for a similar quality mortgage.

Real estate, which Guardian has the intent to hold for the production of income, and real estate occupied by Guardian are carried at cost, less any valuation adjustment, encumbrances and accumulated depreciation of buildings and other improvements using a straight line method over the estimated useful life of the improvements. Depreciation expense is included in net investment income.

Derivative financial instruments for hedged assets and liabilities, which include those used in the equity hedging program, are carried at estimated fair value, which is based primarily upon quotations obtained from independent sources. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Information about Market Risk—Hedging Programs.” Changes in the fair value of these open hedge positions are recorded as unrealized capital gains and losses in surplus. Gains and losses realized on the termination, closing, expiration or assignment of contracts are recorded as realized capital gains and losses. Amounts receivable and payable are accrued.

*Investment Valuation Reserves on Mortgage Loans.* When, based upon current information and events, it is probable that Guardian will be unable to collect all amounts of interest and principal due according to the contractual terms of the mortgage loan agreement, a valuation allowance is established for the excess of the carrying value of the mortgage loan over its fair value. Collectability and estimated recoveries are assessed on a loan-by-loan basis considering all events and conditions relevant to the loan. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revisions as more information becomes available, as changes occur in the market or as negotiations with the borrowing entity evolve. Changes to the valuation allowance are recorded as unrealized capital losses in surplus.

*Other-than-Temporary Impairments.* The carrying values of bonds, mortgage-backed and asset-backed securities are written down to fair value when a decline in value is considered to be other-than-temporary. Guardian considers the following factors in the evaluation of whether a non-interest related decline in value is other-than-temporary: (a) the financial condition and near-term prospects of the issuer; (b) the likelihood that Guardian will be able to collect all amounts due according to the contractual terms of a debt security in effect at the date of acquisition; (c) Guardian’s ability and intent to hold the investment for a period of time sufficient to allow for an anticipated recovery in value; and (d) the period and degree to which the market value has been below cost. Guardian considers the following factors in the evaluation of whether an interest related decline in value is other-than-temporary: (a) Guardian’s near term intent to sell; (b) Guardian’s contractual and regulatory obligations; and (c) Guardian’s ability to hold the investment until anticipated recovery of the cost of the investment. Guardian conducts a semi-annual management review of all bonds including those in default, not-in-good standing or valued below 80% of cost. Guardian also considers other qualitative and quantitative factors in determining the existence of other-than-temporary impairments including, but not limited to, unrealized loss trend analysis and significant short-term changes in value. If the impairment is other-than-temporary, a direct write-down is recognized in realized capital losses and a new cost basis is established.

The cost basis of common stocks is adjusted for impairments deemed to be other-than-temporary. Guardian considers the following factors in the evaluation of whether a decline in value is other-than-temporary: (a) the financial condition and near-term prospects of the issuer; (b) Guardian’s ability and intent to hold the investment for a period of time sufficient to allow for an anticipated recovery in value; and (c) the period and degree to which the market value has been below cost. Guardian conducts a semi-annual management review of issuers whose common stock is not-in-good standing or valued below 80% of cost. Guardian also considers other qualitative and quantitative factors in determining the existence of other-than-temporary impairments including, but not limited to, unrealized loss trend analysis and significant short-term changes. If the impairment is other-than-temporary, a direct write-down to fair value is recognized in realized capital losses and a new cost basis is established.

For mortgage loans, when an event occurs resulting in an impairment that is other-than-temporary, a direct write-down is recognized in realized capital losses and a new cost basis is established. An impairment is deemed other-than-temporary when foreclosure proceedings or other procedures leading to the acquisition of the collateral

are initiated, the acquisition of the collateral is probable and a reasonable estimate of the collateral value has been determined.

For real estate, depreciated cost is adjusted for impairments whenever events or changes in circumstances indicate the carrying amount of the asset may not be recoverable, with the impairment being included in realized capital losses.

For partnerships and LLCs, when it appears probable that Guardian will be unable to recover the outstanding net capital contributed (cost) of an investment, or there is evidence indicating an inability of the investee to sustain earnings to justify the cost of the investment, an other-than-temporary impairment is recognized in realized capital losses for the excess of the cost over the estimated fair value of the investment. The estimated fair value is determined by assessing the value of the partnership or LLC's underlying assets, cash flow, current financial condition and other market factors. Distributions not deemed to be a return of capital are recorded in net investment income when received provided there are undistributed earnings in the partnership or LLC.

*Reserves for policy benefits.* Policyholders' reserves provide amounts adequate to discharge estimated future obligations in excess of estimated future premium on policies in-force. The reserves are established using actuarial methods based on mortality and morbidity experience tables and valuation interest rates prescribed by the NYSDFS. Actual future experience will differ from assumptions used to determine these reserves.

Reserves for life insurance contracts are developed using accepted actuarial methods computed principally on the Net Level Premium Method, the New Jersey Reserve Method, and the Commissioners' Reserve Valuation Method bases using the American Experience and the 1941, 1958, 1980 and 2001 Commissioners' Standard Ordinary mortality tables with assumed interest rates. Reserve methods, mortality tables and assumed interest rates vary with issue year generations of contracts. Reserves for disability riders associated with life contracts are calculated using morbidity rates from the 1952 Period 2 Intercompany Disability Table.

Individual disability income insurance policy reserves are generally calculated using the two-year preliminary term, net level premium and fixed net premium methods, and actuarially accepted morbidity tables, using the 1964 Commissioners' Disability Table and the 1985 Commissioners' Individual Disability Table A with assumed interest rates in accordance with applicable statutes and regulations.

Disabled life claim reserves are generally calculated using actuarially accepted methodologies and actuarially accepted morbidity tables, using 1985 Commissioners' Individual Disability Tables A and C modified with factors to generate reserves that are more conservative, with assumed interest rates in accordance with applicable statutes and regulations.

Unpaid claims and claim expense reserves are related to disability and long-term care claims with long-tail payouts. Unpaid disability claim liabilities are projected based on the most recent disability payment paid prior to the valuation date. Claim expense reserves are based on an analysis of the unit expenses related to the processing and examination of new and ongoing claims. Interest accrued on reserves is calculated by applying NAIC prescribed interest rates to the average reserves by incurral year.

Tabular interest, tabular less actual reserves released and tabular cost for all life and annuity contracts and supplementary contracts involving life contingencies are determined in accordance with NAIC Annual Statement Instructions. Traditional life and term products use a formula that applies a weighted-average interest rate determined from a seriatim valuation file to the mean average reserves. Universal life, variable life, group life insurance, annuity, and supplemental contracts use a formula which applies a weighted-average credited rate to the mean account value.

Guardian waives deduction of deferred fractional premium at death, and returns any portion of the final premium beyond the date of death. Reserves are computed using continuous functions to reflect these practices. The larger of legally computed reserves and cash surrender values on a policy-by-policy basis are held as liabilities.

The same reserve methods applied to standard policies are used for the substandard reserve calculations that are based on a substandard mortality rate (a multiple of standard reserve tables).

Reserves for group life waiver and long-term disability (“LTD”) reported claims are determined on a seriatim basis. Life waiver of premium reserves are determined using the 1970 Inter-company Group Life Disability Table for claimants disabled prior to 2009 and the 2005 Group Term Life Waiver Table for claimants disabled on or after January 1, 2009; interest rates vary by the year the claim was incurred, typically 3.5-4.0%. LTD reserves are determined using the 1987 Commissioners’ Group Disability Table and Table 95a; interest rates vary by the year the claim was incurred, typically ranging from 3.0% to 5.0%. Group short-term disability, vision and dental claims incurred but not yet reported reserves are estimated based on Guardian’s historical experience. Group reserves include reasonable allowances for potential adverse deviation.

Guardian had total life insurance in-force of \$555.5 billion, \$519.1 billion and \$483.1 billion as of December 31, 2015, 2014 and 2013, respectively. Of this total, Guardian had \$14 billion, \$19 billion and \$24 billion of life insurance in-force as of December 31, 2015, 2014 and 2013, respectively, for which the gross premium income was less than the net premium income according to the standard valuation set by the NYSDFS. The gross premium income is less than the net premium income needed to establish the reserves because the statutory reserves must use industry standard mortality tables, while the gross premium income calculated by pricing uses mortality tables that reflect both Guardian’s experience and the transfer of mortality risk to reinsurers.

Certain individual VA products issued by GIAC offer GMDBs and guaranteed living benefits (“VAGLB”). The primary types of VAGLBs offered by Guardian are GMWBs. Certain individual VA products issued by GIAC in the past offered GMIBs and guarantee minimum accumulation benefits (“GMABs”). GIAC will discontinue sales of VAGLB on or before March 31, 2017.

GMWB riders provide the VA contract holder with a guarantee that a minimum amount will be available for withdrawal annually for life regardless of the contract value. The liability for GMWBs is included in policyholders’ reserves and the related change in this liability is included in change in policyholders’ reserves. GIAC has a reinsurance agreement with a third-party reinsurer that reinsures 90% of various GMWB riders that were written through December 2008 and introduced prior to September 2008. That reinsurer is an admitted reinsurer in New York. The financial strength ratings of this reinsurer from S&P and Moody’s are AA- and Aa3, respectively. The reinsurance treaty remains in effect for any business written on these riders through December 2013. The remainder of the business written on these riders is subject to a hedging program. Beginning in September 2008, new GMWB rider forms were introduced, and the business written pursuant to these new rider forms is not subject to reinsurance, instead 100% of such business is subject to the hedging program. For a description of this hedging program and its limitations, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Information about Market Risk—Hedging Programs.” At December 31, 2015, the account value of all GMWB contracts was approximately \$7.0 billion before reinsurance and \$6.3 billion after reinsurance. At December 31, 2014, the before and after reinsurance account values were \$6.9 billion and \$6.1 billion, respectively. At December 31, 2013, the before and after reinsurance account values were \$6.4 billion and \$5.5 billion, respectively. In addition, the net amount at risk was \$653 million, \$84 million and \$64 million at December 31, 2015, 2014 and 2013, respectively. GIAC will discontinue sales of GMWB riders on or before March 31, 2017.

GMDBs provide a death benefit if the contract value is less than the guaranteed minimum amount. Some contracts provide that guarantee upon the contract owner’s death while others provide it upon the annuitant’s death. Most base contracts include a death benefit based on a ROP (the premium paid less amounts withdrawn). Additionally, coverage amounts for elective riders include a roll-up (an accumulation of premium at a specified interest rate adjusted for withdrawals), a reset (the contract value on a specified anniversary date adjusted for subsequent withdrawals, which may decrease when reset), or a ratchet (the contract value on a specified anniversary date adjusted for subsequent withdrawals, which is never allowed to decrease when reset). For an annuity contract, a decline in the stock market causing the contract value to fall below the specified amount will increase the net amount at risk, which is the GMDB in excess of the contract value. The liability for GMDBs is included in policyholders’ reserves and the related change in this liability is included in change in policyholders’ reserves. The net amount at risk represents the amount of death benefit guaranteed over the account value. At December 31, 2015, 2014 and 2013, the net amount at risk was \$106 million, \$49 million and \$56 million, respectively. All GMDB

annual benefit elective riders issued through December 2009 are 100% reinsured with two third party reinsurers, each of which has a financial strength rating of at least AA- from S&P. To the extent the GMDB annual benefit elective rider was purchased, ROP benefit risk was also reinsured with such third-party reinsurers for certain issue years. Depending on the type of GMDB annual death benefit rider purchased, the ROP portion of coverage ended for contracts issued either on or after April 2005 or January 2009, and such risks are no longer reinsured.

In the past, GIAC also offered GMIBs. The amount of these riders in-force is minimal relative to the GMWB business in-force. GMIBs provide the annuity contract holder with a guaranteed minimum payment when the contract is annuitized. The GMIB would be beneficial to the contract holder if the contract holder's account value would otherwise not provide a higher annuitization value using currently offered rates at the time of annuitization. The GMIB riders are 100% reinsured with one third-party reinsurer. GIAC no longer sells this type of VAGLB. The account value of the GMIB riders was \$82 million, \$99 million and \$113 million at December 31, 2015, 2014 and 2013, respectively.

GIAC no longer sells the GMAB rider. Existing business for legacy policies accounted for \$4 million of account value at December 31, 2015, \$12 million at December 31, 2014 and \$22 million at December 31, 2013. There is no reinsurance on this block of riders. In general, VAGLBs require adherence to limitations required by GIAC's approved asset allocation strategy. Election of a VAGLB is generally only available at contract issue. As noted above, GIAC will discontinue sales of VAGLBs on or before March 31, 2017.

Actuarial Guideline XLIII (VACARVM) provides guidance on how to calculate reserves for VAs with both living and death benefit guarantees. The guideline requires the reserve to be calculated using two approaches, the standard scenario approach and the stochastic scenario approach, the final reserve being the greater of the two. The Standard Scenario amount is based on a single path, deterministic projection with stipulated assumptions and the stochastic amount is based on the results of stochastically generated interest rate and equity scenarios. Management's best estimate assumptions along with margins for uncertainty are used to calculate the stochastic amount. Key assumptions used in valuing the liability include full withdrawals, partial withdrawals, mortality, investment management fees and revenue sharing, expenses, fund allocations, and other policyholder behavior. In addition, a method for projecting interest rates and equity returns is required. The stochastic process also requires the projection of in-force general account assets, assets from reinvested cash flows and in-force hedge assets that support the liabilities. The key assumptions needed in valuing the assets include reinvestment asset mix, reinvestment credit spreads, default rates, implied volatility, and swap interest rates. At December 31, 2015, the Stochastic amount was the greater of the two measures and was thus used as the final reserve. However, at December 31, 2014 and 2013, the Standard Scenario amount was the greater of the two measures and was thus used as the final reserve.

SPIA and DIA statutory reserves are determined as the present value of future payments. The present value of future payments is based on prescribed maximum mortality and discount rate assumptions; however, for certain issue years, more conservative discount rate assumptions are used.

The estimated fair value of contract holder account balances for investment type contracts has been determined to be equivalent to carrying value as the current offering and renewal rates are set in response to current market conditions. In 2013, the Company reduced the valuation rates for issue years 2011 and 2012 to 3.00% for life contingent annuities, which resulted in an increase of \$18 million in statutory reserves.

In addition, as a result of the change in the reserve methodology from Actuarial Guideline 38 ("AG38") Section 8D to the Life Actuarial Task Force Statement interpretation of AG38, statutory reserves on Universal Life Secondary Guarantee policies were increased by \$7 million. The Company concluded that these changes met the definition of a change in valuation basis under SSAP 51, Life Contracts; consistent with SSAP No. 3, any increase (strengthening) or decrease (destrengthening) in actuarial reserves resulting from such a change in valuation basis shall be recorded directly to surplus rather than as a part of the reserve change recognized in the summary of operations. These amounts were included in "Change in reserve valuation basis" in the Statutory Financial Statements of Changes in the Capital and Surplus.

All policyholders' reserves and accruals are based on the various estimates discussed previously and are presented net of reinsurance. Management believes that these liabilities and accruals will be sufficient, in conjunction with future revenues, to meet future anticipated obligations of policies and contracts in-force.

Reserves for dividend accumulations, premium deposit funds and investment-type contracts are based on account value or accepted actuarial methods using applicable interest rates. Fair value is estimated by discounting expected future cash flows using current market.

## SELECTED HISTORICAL STATUTORY FINANCIAL INFORMATION OF GUARDIAN

The selected financial information of Guardian set forth below has been compiled on an unconsolidated basis and determined in accordance with SAP. For a description of the accounting principles applicable to this financial information and certain differences between SAP and GAAP, see “Financial and Accounting Matters—Summary of Principal Differences Between SAP and GAAP.”

The following statutory financial information as of December 31, 2015, 2014 and 2013 and for the years then ended has been derived from the Statutory Financial Statements included elsewhere in this Memorandum. The Statutory Financial Statements for 2015, 2014 and 2013 have been audited by PricewaterhouseCoopers LLP, independent auditors.

This information should be read in conjunction with, and is qualified in its entirety by, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the Statutory Financial Statements and other information included elsewhere in this Memorandum. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Actual results may differ from estimates. The results for past accounting periods are not necessarily indicative of the results to be expected for any future accounting period.

|                                                                                    | Years Ended December 31, |           |           | \$ Change     | % Change      | \$ Change     | % Change      |
|------------------------------------------------------------------------------------|--------------------------|-----------|-----------|---------------|---------------|---------------|---------------|
|                                                                                    | 2015                     | 2014      | 2013      | 2015 vs. 2014 | 2015 vs. 2014 | 2014 vs. 2013 | 2014 vs. 2013 |
|                                                                                    | (\$ in Millions)         |           |           |               |               |               |               |
| <b>Statements of Income Data:</b>                                                  |                          |           |           |               |               |               |               |
| <b>Revenue:</b>                                                                    |                          |           |           |               |               |               |               |
| Premiums, annuity considerations and fund deposits .....                           | \$ 7,334                 | \$ 6,999  | \$ 8,734  | \$ 335        | 4.8%          | \$ (1,735)    | (19.9%)       |
| Net investment income.....                                                         | 1,985                    | 2,146     | 1,765     | (161)         | (7.5%)        | 381           | 21.6%         |
| Other income.....                                                                  | 376                      | 397       | 407       | (21)          | (5.3%)        | (10)          | (2.5%)        |
| Total revenue .....                                                                | \$ 9,695                 | \$ 9,542  | \$ 10,906 | \$ 153        | 1.6%          | \$ (1,364)    | (12.5%)       |
| <b>Benefits and expenses:</b>                                                      |                          |           |           |               |               |               |               |
| Benefit payments to policyholders and beneficiaries .....                          | \$ 4,104                 | \$ 3,858  | \$ 3,659  | \$ 246        | 6.4%          | \$ 199        | 5.4%          |
| Net additions to policy benefit reserves.....                                      | 2,137                    | 2,172     | 4,051     | (35)          | (1.6%)        | (1,879)       | (46.4%)       |
| Commissions and operating expenses .....                                           | 2,048                    | 1,997     | 2,071     | 51            | 2.6%          | (74)          | (3.6%)        |
| Total benefits and expenses .....                                                  | \$ 8,289                 | \$ 8,027  | \$ 9,781  | \$ 262        | 3.3%          | \$ (1,754)    | (17.9%)       |
| Gain from operations before dividends and federal income taxes.....                | 1,406                    | 1,515     | 1,125     | (109)         | (7.2%)        | 390           | 34.7%         |
| Dividends to policyholders <sup>(1)</sup> .....                                    | (826)                    | (778)     | (770)     | (48)          | 6.2%          | (8)           | 1.0%          |
| Gain from operations before federal income taxes .....                             | \$ 580                   | \$ 737    | \$ 355    | (157)         | (21.3%)       | \$ 382        | 107.6%        |
| Federal income tax (expense) benefit .....                                         | (82)                     | (102)     | (135)     | 20            | (19.6%)       | 33            | (24.4%)       |
| Income from operations before net realized capital gains.....                      | \$ 498                   | \$ 635    | \$ 220    | \$ (137)      | (21.6%)       | \$ 415        | 188.6%        |
| Net realized capital gains .....                                                   | (65)                     | 77        | 66        | (142)         | (184.4%)      | 11            | 16.7%         |
| Net income .....                                                                   | \$ 433                   | \$ 712    | \$ 286    | \$ (279)      | (39.2%)       | \$ 426        | 149.0%        |
| <b>Balance Sheet Data:</b>                                                         |                          |           |           |               |               |               |               |
| <b>Assets:</b>                                                                     |                          |           |           |               |               |               |               |
| Total assets .....                                                                 | \$ 48,121                | \$ 45,296 | \$ 42,066 | \$ 2,825      | 6.2%          | \$ 3,230      | 7.7%          |
| <b>Liabilities and surplus:</b>                                                    |                          |           |           |               |               |               |               |
| Reserves for policy benefits .....                                                 | \$ 37,031                | \$ 34,856 | \$ 32,685 | \$ 175        | 6.2%          | \$ 2,171      | 6.6%          |
| Policyholder dividends payable and other contract liabilities <sup>(2)</sup> ..... | 2,189                    | 2,054     | 1,970     | 135           | 6.6%          | 84            | 4.3%          |
| Interest maintenance reserve .....                                                 | 373                      | 412       | 387       | (39)          | (9.5%)        | 25            | 6.5%          |
| Asset valuation reserve.....                                                       | 798                      | 754       | 686       | 44            | 5.8%          | 68            | 9.9%          |
| Other liabilities.....                                                             | 1,640                    | 1,528     | 1,326     | 112           | 7.3%          | 202           | 15.2%         |
| Total liabilities .....                                                            | \$ 42,031                | \$ 39,604 | \$ 37,054 | \$ 2,427      | 6.1%          | \$ 2,550      | 6.9%          |

|                                     | Years Ended December 31, |                  |                  | \$ Change        | % Change         | \$ Change        | % Change            |
|-------------------------------------|--------------------------|------------------|------------------|------------------|------------------|------------------|---------------------|
|                                     | 2015                     | 2014             | 2013             | 2015 vs.<br>2014 | 2015 vs.<br>2014 | 2014 vs.<br>2013 | 2014<br>vs.<br>2013 |
|                                     | (\$ in Millions)         |                  |                  |                  |                  |                  |                     |
| Surplus .....                       | 6,090                    | 5,692            | 5,012            | 398              | 7.0%             | 680              | 13.6%               |
| Total liabilities and surplus ..... | <u>\$ 48,121</u>         | <u>\$ 45,296</u> | <u>\$ 42,066</u> | <u>\$ 2,825</u>  | <u>6.2%</u>      | <u>\$ 3,230</u>  | <u>7.7%</u>         |

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- (1) Dividends to policyholders are discretionary and subject to the approval of Guardian's Board of Directors.
- (2) Statutory accounting practices require that the liability for policyholders' dividends include dividends currently payable and the full amount of dividends apportioned for payment over the 12 months following the date of the applicable payment.



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

*The discussion below is prepared in conformity with SAP and the accounting practices prescribed by the NYSDFS. See "Financial and Accounting Matters—Summary of Principal Differences Between SAP and GAAP."*

### General

This disclosure should be read in conjunction with the Statutory Financial Statements (including the notes thereto) and "Selected Historical Statutory Financial Information of Guardian." This section reviews the financial condition of Guardian at December 31, 2015, 2014 and 2013, Guardian's results of operations for the years ended December 31, 2015, 2014 and 2013, and factors that may affect Guardian's future financial performance.

Guardian, together with its subsidiaries, is a diversified financial services group that seeks to provide attractive value for policyholders and customers by providing a wide array of differentiated products and services, while aiming to achieve strong financial results. In pursuing this strategy, Guardian's guiding principle is to enable its customers to obtain financial success while protecting their families and businesses. To achieve this goal, Guardian focuses on developing and distributing a broad portfolio of financial products and services, maintaining what it believes to be prudent underwriting standards and rigorous expense control, and pursuing asset/liability management practices that it considers conservative.

Guardian's statutory net income was \$433 million for the year ended December 31, 2015, \$712 million for the year ended December 31, 2014 and \$286 million for the year ended December 31, 2013. As of and for the year ended December 31, 2015, Guardian had \$48.1 billion in total statutory assets, net gain from operations (before dividends to policyholders and taxes) of \$1.4 billion, over 973 million individual policies in-force, and \$555.5 billion of life insurance in-force.

Guardian's insurance financial strength/claims paying ability, is rated AA+ by S&P, Aa2 by Moody's, AA+ by Fitch, and A++ by A.M. Best. S&P, Moody's, Fitch, and A.M. Best currently report a stable outlook for Guardian's insurance financial strength rating. Each rating agency independently assigns ratings based on its own separate review and takes into account a variety of factors, which are subject to change, in making its decision.

### Basis of Presentation

The preparation of financial statements requires management to make estimates and assumptions that impact the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. The most significant estimates include those used in determining the carrying values of investments and derivatives, the liability for future policyholders' reserves and deposit-type contracts, and the amount of investment valuation reserves on mortgage loans, real estate held for sale, other-than-temporary impairments and the liability for taxes. Future events including, but not limited to, changes in the levels of mortality, morbidity, interest rates, persistency and asset valuations, could cause actual results to differ from the estimates used in the financial statements. Although some variability is inherent in these estimates, management believes the amounts presented are appropriate. Guardian has reclassified certain prior year balances to conform to the current year presentation. With respect to an individual line item, a discussion of changes between the end of one period and another may be omitted to the extent such item has not changed materially.

The discussion below regarding Guardian's results of operations is based on the Statutory Financial Statements of Guardian included elsewhere in this Memorandum. Those financial statements have been prepared on the basis of SAP prescribed by the NYSDFS. Under SAP, results of subsidiaries are not consolidated with the results of Guardian on a line-by-line basis, but rather are generally recorded at their underlying net equity value as affiliated common stock investments, with the current year change in net equity value, less dividends paid and contributions from Guardian reflected in unrealized capital gains and losses through surplus. Dividends received from subsidiaries are included in Guardian's net investment income. See "Financial and Accounting Matters."

## Analysis of Results of Operations—For the Years Ended December 31, 2015, 2014 and 2013.

The following table sets forth the components of statutory net income for the years ended December 31, 2015, 2014 and 2013.

|                                                                      | Years Ended December 31, |          |           |
|----------------------------------------------------------------------|--------------------------|----------|-----------|
|                                                                      | 2015                     | 2014     | 2013      |
|                                                                      | (\$ in Millions)         |          |           |
| <b>Revenue:</b>                                                      |                          |          |           |
| Premiums, annuity considerations and fund deposits .....             | \$ 7,334                 | \$ 6,999 | \$ 8,734  |
| Net investment income .....                                          | 1,985                    | 2,146    | 1,765     |
| Other income .....                                                   | 376                      | 397      | 407       |
| Total revenue .....                                                  | \$ 9,695                 | \$ 9,542 | \$ 10,906 |
| <b>Benefits and expenses:</b>                                        |                          |          |           |
| Benefit payments to policyholders and beneficiaries .....            | \$ 4,104                 | \$ 3,858 | \$ 3,659  |
| Net increase to policy benefit reserves .....                        | 2,137                    | 2,172    | 4,051     |
| Commissions and operating expenses .....                             | 2,048                    | 1,997    | 2,071     |
| Total benefits and expenses .....                                    | \$ 8,289                 | \$ 8,027 | \$ 9,781  |
| Gain from operations before dividends and federal income taxes ..... | 1,406                    | 1,515    | 1,125     |
| Dividends to policyholders .....                                     | (826)                    | (778)    | (770)     |
| Gain from operations before federal income taxes .....               | \$ 580                   | \$ 737   | \$ 355    |
| Federal income tax expense .....                                     | (82)                     | (102)    | (135)     |
| Net gain from operations .....                                       | \$ 498                   | \$ 635   | \$ 220    |
| Net realized capital gains after taxes and transfers to IMR .....    | (65)                     | 77       | 66        |
| Net income.....                                                      | \$ 433                   | \$ 712   | \$ 286    |

### Net Income

Total revenue increased \$0.2 billion from \$9.5 billion in 2014 to \$9.7 billion in 2015, driven primarily by an increase in premiums, annuity considerations and fund deposits. Total benefits and expenses increased \$0.3 billion from \$8.0 billion in 2014 to \$8.3 billion in 2015, primarily due to an increase in benefit payments to policyholders and beneficiaries.

Total revenue decreased \$1.4 billion from \$10.9 billion in 2013 to \$9.5 billion in 2014, driven primarily by a decrease in premiums, annuity considerations and fund deposits. Total benefits and expenses decreased \$1.8 billion from \$9.8 billion in 2013 to \$8.0 billion in 2014 primarily due to a decrease to net increase to policy benefit reserves.

### Premium income, annuity considerations and fund deposits

Selected premium income, annuity considerations and fund deposits information is presented below:

|                                      | Years Ended December 31, |          |         | \$ Change<br>2015 vs.<br>2014 | % Change<br>2015 vs.<br>2014 | \$ Change<br>2014 vs.<br>2013 | % Change<br>2014 vs.<br>2013 |
|--------------------------------------|--------------------------|----------|---------|-------------------------------|------------------------------|-------------------------------|------------------------------|
|                                      | 2015                     | 2014     | 2013    |                               |                              |                               |                              |
|                                      | (\$ in Millions)         |          |         |                               |                              |                               |                              |
| <b>Premium income:</b>               |                          |          |         |                               |                              |                               |                              |
| Whole life .....                     | \$ 3,527                 | \$ 3,426 | \$3,337 | \$ 101                        | 2.9%                         | \$ 89                         | 2.7%                         |
| Term, universal, and variable life . | 137                      | 142      | 154     | (5)                           | (3.5%)                       | (12)                          | (7.8%)                       |
| Disability .....                     | 441                      | 424      | 2,434   | 17                            | 4.0%                         | (2,010)                       | (82.6%)                      |
| Group medical .....                  | -                        | -        | 2       | -                             | -                            | (2)                           | (100.0%)                     |

|                                            |                 |                 |                 |               |                |                   |                |
|--------------------------------------------|-----------------|-----------------|-----------------|---------------|----------------|-------------------|----------------|
| Group non-medical .....                    | 3,225           | 3,004           | 2,803           | 221           | 7.4%           | 201               | 7.2%           |
| Reinsurance .....                          | 3               | 3               | 3               | -             | 0.0%           | -                 | 0.0%           |
| Closed blocks & Other <sup>(1)</sup> ..... | 1               | -               | 1               | 1             | -              | (1)               | (100.0%)       |
| Total .....                                | <u>\$ 7,334</u> | <u>\$ 6,999</u> | <u>\$ 8,734</u> | <u>\$ 335</u> | <u>\$ 4.8%</u> | <u>\$ (1,735)</u> | <u>(19.9%)</u> |

(1) Closed Blocks & Other is comprised primarily of the Berkshire Life Insurance Company ("BLIC") closed block business. The BLIC closed block represents whole life business and term business that existed in BLIC prior to its 2001 merger into Guardian.

For the year ended December 31, 2015, premium income as compared to the year ended December 31, 2014 increased \$335 million, primarily due to an increase in group premium income of \$221 million, as a result of better persistency and in-group growth and an increase in whole life premium income due to natural growth and favorable persistency.

For the year ended December 31, 2014, premium income as compared to the year ended December 31, 2013 decreased \$1,735 million.

### **Net Investment Income**

The components of net investment income are set forth below:

|                                                               | Years Ended December 31 |                        |                        |
|---------------------------------------------------------------|-------------------------|------------------------|------------------------|
|                                                               | 2015                    | 2014                   | 2013                   |
|                                                               | (\$ in Millions)        |                        |                        |
| <b>Net investment income:</b>                                 |                         |                        |                        |
| Bonds .....                                                   | \$ 1,480                | \$ 1,406               | \$ 1,309               |
| Preferred stocks .....                                        | 8                       | 7                      | 7                      |
| Common stocks—subsidiaries and affiliates .....               | 35                      | 308                    | 3                      |
| Common stocks—unaffiliated .....                              | 9                       | 16                     | 19                     |
| Mortgage loans .....                                          | 159                     | 165                    | 191                    |
| Policy loans .....                                            | 241                     | 232                    | 221                    |
| Real estate .....                                             | 74                      | 25                     | 26                     |
| Derivatives and other invested assets .....                   | 165                     | 117                    | 97                     |
| Cash, cash equivalents and short-term investments .....       | 3                       | 1                      | 2                      |
| Total gross investment income .....                           | <u>\$ 2,174</u>         | <u>\$ 2,277</u>        | <u>\$ 1,875</u>        |
| Investment expenses .....                                     | <u>(189)</u>            | <u>(131)</u>           | <u>(110)</u>           |
| Net investment income .....                                   | <u>\$ 1,985</u>         | <u>\$ 2,146</u>        | <u>\$ 1,765</u>        |
| Amortization of IMR .....                                     | <u>103</u>              | <u>112</u>             | <u>80</u>              |
| <b>Net investment income including IMR amortization .....</b> | <b><u>\$ 2,088</u></b>  | <b><u>\$ 2,258</u></b> | <b><u>\$ 1,845</u></b> |

For the year ended December 31, 2015, net investment income, including IMR amortization, decreased \$170 million due to lower dividend distributions from common stock affiliates, which more than offset increases in bond and private equity income distributions. For the year ended December 31, 2014, net investment income, including IMR amortization, increased \$413 million mainly due to larger dividend distributions from common stock affiliates, increased bond income and higher IMR amortization.

Guardian calculates the yield on its investment portfolio before federal income taxes as (a) two times gross investment income divided by (b) the beginning and ending balance of invested assets minus (c) gross investment income. After deducting all investment expenses, the net annualized yields were 4.91% for the year ended December 31, 2015, 4.88% for the year ended December 31, 2014 and 5.03% for the year ended December 31, 2013. The primary reasons for the increase in 2015 are the increased distributions received from the private equity portfolio and larger than expected bond and mortgage prepayment fees.

Bond gross investment income increased \$74 million in 2015 as compared to 2014 due to increased average asset balances and increased receipt of prepayment fees on private placements. Bond gross investment income increased \$97 million in 2014 as compared to 2013 due to increased average asset balances. Average bond

asset balances were \$30.7 billion, \$28.5 billion and \$26.3 billion in 2015, 2014 and 2013, respectively. Average bond portfolio yields decreased from 4.98% in 2013 to 4.93% in 2014 to 4.82% in 2015. Prepayment fees on private placements, which are included in gross investment income, were \$35 million in 2015, \$24 million in 2014 and \$31 million in 2013.

Income from common stocks—unaffiliated decreased \$7 million in 2015, as compared to 2014, due to a reduction in the portfolio during 2015. During 2014, income from common stocks—unaffiliated decreased \$3 million, as compared to 2013, due to a reduction in the portfolio during 2014.

Mortgage loan gross investment income decreased \$6 million in 2015 as compared to 2014 primarily due to significantly lower new money rates in 2015. Mortgage loan gross investment income decreased \$26 million in 2014 as compared to 2013 primarily due to decreased average asset balances and reduced prepayment fees. Predominantly all income comes from commercial loans. Average mortgage portfolio yields were 4.94% in 2015, 5.61% in 2014 and 6.46% in 2013. Mortgage prepayment fees, which are included in gross investment income, were \$7 million in 2015, \$8 million in 2014 and \$20 million in 2013.

The \$9 million increase in policy loan gross investment income in 2015 as compared to 2014 is primarily due to an increase in average asset balance which rose from \$3.2 billion in 2014 to \$3.3 billion in 2015. The \$11 million increase in policy loan gross investment income in 2014 as compared to 2013 is primarily due to an increase in average asset balance which rose from \$3.1 billion in 2013 to \$3.2 billion in 2014.

Real estate income increased \$49 million in 2015 primarily due to new statutory accounting guidance which reclassified 14 properties to real estate from other invested assets. Real estate income decreased slightly (\$1 million) in 2014 as compared to the prior year.

In 2015, the increase in derivatives and other invested assets gross investment income of \$48 million was primarily due to increased distributions from private equity limited partnerships of \$45 million.

The cash, cash equivalents and short-term investment gross investment income increased slightly (\$2 million) in 2015 as compared to 2014. The income generated from this asset class was \$1 million lower in 2014 as compared to 2013 primarily due to lower short term interest rates.

Amortization of IMR decreased \$9 million in 2015 as a result of a significant reduction in bond gains (\$259 million) in 2015 as compared to 2014. Amortization of IMR increased \$32 million in 2014, primarily due to significant 2014 bonds gains (\$193 million) as compared to 2013.

#### ***Other income***

Other income, which includes miscellaneous income, commissions and expense allowances on reinsurance ceded, and reserve adjustments on reinsurance, decreased \$21 million for the year ended December 31, 2015, as compared to December 31, 2014, primarily due to reserve adjustments on reinsurance assumed.

Other income decreased \$10 million for the year ended December 31, 2014 as compared to December 31, 2013, due primarily to amortization of IMR.

#### ***Benefit payments to policyholders and beneficiaries***

Benefit payments to policyholders and beneficiaries increased \$246 million in the year ended December 31, 2015 as compared to the year ended December 31, 2014. The increase is primarily due to an increase in paid claims for all accident and health lines and higher death claims.

Benefit payments to policyholders and beneficiaries increased \$199 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013 due primarily to unfavorable mortality and higher Group claims.

### ***Additions to policy benefit reserves***

Net additions to policy benefit reserves decreased \$35 million in the year ended December 31, 2015 compared to the year ended December 31, 2014. The policyholders' reserves decreased primarily as a result of the recapture of a reinsurance treaty.

Net increase to policy benefit reserves decreased \$1.9 billion for the year ended December 31, 2014 as compared to the year ended December 31, 2013 due primarily to a one time initial transfer relating to the 2013 reinsurance agreement with BLICOA.

### ***Commissions and operating expenses***

Commissions and operating expenses increased \$51 million in the year ended December 31, 2015 as compared to the year ended December 31, 2014, due to premium growth from better persistency.

Commissions and operating expenses decreased \$74 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013 due primarily to reserve adjustments on reinsurance assumed with GIAC.

### ***Dividends to Policyholders***

Dividends to policyholders increased \$48 million for the year ended December 31, 2015 as compared to the year ended December 31, 2014, due to changes in the dividend scale.

Dividends to policyholders increased \$8 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013, due to changes in the dividend scale.

### ***Guardian Federal Income Tax Expense***

Federal income tax expense on operations decreased \$20 million for the year ended December 31, 2015 as compared to the year ended December 31, 2014, primarily driven by higher taxable income offset by the release of contingent taxes and favorable true ups.

Federal income tax expense decreased \$33 million for the year ended December 31, 2014 as compared to the year ended December 31, 2013 primarily due to lower ordinary taxable income.

### ***Net Realized Capital Gains After Tax and Transfers to IMR***

Net realized capital gains after taxes and transfers to IMR were comprised of the following:

|                                                                                   | Years Ended December 31, |           |           |
|-----------------------------------------------------------------------------------|--------------------------|-----------|-----------|
|                                                                                   | 2015                     | 2014      | 2013      |
|                                                                                   | (\$ in Millions)         |           |           |
| <b>Total net realized capital gains (losses) after taxes and transfers to IMR</b> |                          |           |           |
| Bonds.....                                                                        | \$ 9                     | \$ 268    | \$ 75     |
| Preferred stocks .....                                                            | 1                        | (1)       | 1         |
| Mortgage loans .....                                                              | -                        | (2)       | (5)       |
| Common stocks—subsidiaries and affiliates .....                                   | -                        | -         | -         |
| Common stocks—unaffiliated .....                                                  | -                        | (13)      | 73        |
| Real estate.....                                                                  | 2                        | -         | 15        |
| Derivatives and other invested assets .....                                       | <u>119</u>               | <u>61</u> | <u>22</u> |
| Net realized capital gains (losses) before deferral to the IMR.....               | \$ 131                   | \$ 313    | \$ 181    |
| Capital gains tax benefit (expense) .....                                         | (132)                    | (99)      | (70)      |

|                                                                               |                |              |              |
|-------------------------------------------------------------------------------|----------------|--------------|--------------|
| Transfer from (to) IMR.....                                                   | (64)           | (137)        | (45)         |
| <b>Total net realized capital gains after taxes and transfers to IMR.....</b> | <b>\$ (65)</b> | <b>\$ 77</b> | <b>\$ 66</b> |

The book values of investments are written down when a decline in value is considered to be other-than-temporary. For the year ended December 31, 2015, Guardian recognized \$188 million of impairment losses. Guardian employs a systematic methodology to evaluate other-than-temporary impairments. The methodology to evaluate declines in value utilizes a quantitative and qualitative process to attempt to evaluate available evidence concerning the declines in a disciplined manner. Of the \$188 million of other-than-temporary impairments, \$151 million was related to affiliated LLCs, \$31 million was related to bond investments, and \$6 million was related to private equity and real estate limited partnerships. For the year ended December 31, 2014, Guardian recognized \$2 million of impairment losses, all related to bond investments. For the year ended December 31, 2013, Guardian recognized \$18 million of impairment losses. Of the \$18 million, \$9 million was related to real estate joint ventures, \$5 million was related to the mortgage-loans and \$4 million was related to private equity limited partnerships. See “Financial and Accounting Matters—Critical Accounting Policies.”

Net realized capital gains after taxes and transfers to IMR decreased \$142 million in 2015 as compared to 2014, primarily from decreased realized gains after IMR in the bond portfolio of \$186 million. In addition, impairment losses also increased by \$186 million in 2015 as compared to 2014. Other contributing factors to the decrease included an increase of \$33 million in capital gains taxes in 2015 as compared to 2014. These losses were partially offset by an increase in realized gains from the sale of real estate joint ventures and an affiliated LLC of \$186 million. Net realized capital gains after taxes and transfers to IMR increased \$11 million in 2014 as compared to 2013, primarily from increased realized gains after IMR in the bond portfolio of \$101 million. Realized gains resulting from sales of directly owned real estate decreased \$15 million in 2014 as compared to 2013. Realized gains from derivatives and other invested assets increased \$39 million in 2014 as compared to 2013. These gains were partially offset by an increase in capital gains tax of \$29 million and lower common stock – unaffiliated gains of \$86 million.

Realized capital gains after tax and transfers to IMR do not reflect the changes in AVR and other investment reserves, which are recorded as a change in surplus.

*Bonds:* Net realized capital gains after IMR decreased \$186 million in 2015 as compared to 2014, primarily driven by Guardian generating tax losses in 2015. Low interest rates during 2014 helped net realized capital gains after IMR increase \$101 million in 2014 as compared to 2013. There were \$31 million of other-than-temporary impairments in the bond portfolio during 2015, mainly related to energy credits. There were \$2 million of bond impairments during 2014, mainly in the private placement portfolio. There were no bond impairments during 2013.

*Derivative and other invested assets:* Derivative instruments and other invested assets had realized gains of \$119 million in 2015 compared to realized gains of \$61 million in 2014. There were \$6 million in other-than-temporary impairments during 2015 in this category as compared to \$0 million during 2014. Real Estate Joint Venture gains totaled \$98 million in 2015 as compared to \$62 million in 2014. In addition, forward foreign currency contracts generated a realized gain of \$32 million in 2015 as compared to a realized gain of \$1 million in 2014. Derivative instruments and other invested assets had realized gains of \$61 million in 2014 compared to realized gains of \$22 million in 2013. There were \$0 million in other-than-temporary impairments in 2014 in this category as compared to \$13 million in 2013. There were \$62 million in real estate joint venture sales in 2014 compared to \$41 million in gains in 2013. Forward foreign currency contracts generated a realized gain of \$1 million in 2014 as compared to (\$7) million in realized (losses) in 2013. In addition, realized (losses) on futures contracts were (\$3) million in 2014 as compared to (\$1) million in 2013. For a description of Guardian’s hedging program and its limitations, see “Financial and Accounting Matters—Critical Accounting Policies” and “—Quantitative and Qualitative Information about Market Risk—Hedging Programs.”

For 2015, \$64 million of net after-tax gains were deferred into the IMR primarily from gains on sales of bonds in the normal course of business. In 2014, \$137 million of gains were deferred into the IMR due to gains on bond sales. For 2013, \$45 million of net after-tax gains were deferred into the IMR due to gains on bond sales. Gains/losses deferred to the IMR are amortized into income over the estimated life of the investment sold.

## Statement of Financial Position

The following table sets forth Guardian's assets, liabilities and surplus:

|                            | As of<br>December 31, |           |           |
|----------------------------|-----------------------|-----------|-----------|
|                            | 2015                  | 2014      | 2013      |
|                            | (\$ in Millions)      |           |           |
| <b>Balance Sheet Data:</b> |                       |           |           |
| Total assets .....         | \$ 48,121             | \$ 45,296 | \$ 42,066 |
| Total liabilities.....     | 42,031                | 39,604    | 37,054    |
| Total surplus .....        | 6,090                 | 5,692     | 5,012     |

### Assets

Total assets as of December 31, 2015 increased \$2.825 billion, or 6.2%, as compared to December 31, 2014. The major components of the growth in assets were invested assets and receivables from parent, subsidiaries, and affiliates.

Total assets as of December 31, 2014 increased \$3.230 billion, or 7.7%, as compared to December 31, 2013 primarily due to increases in invested assets and funds held or deposited with reinsured companies.

Total invested assets as of December 31, 2015 increased by \$2.5 billion, or 6.3%, as compared to December 31, 2014, driven by increases in the public bond, private placement bond and mortgage loan portfolios.

Total invested assets as of December 31, 2014 increased by \$2.9 billion, or 7.8%, as compared to December 31, 2013, driven by increases in the public bond and private placement bond portfolios. A \$450 million surplus note issuance during 2014 also contributed to the growth in invested assets.

Bonds at December 31, 2015 of \$31.7 billion increased 7.0%, or \$2.0 billion, from \$29.7 billion at December 31, 2014. Taxable bonds increased by \$2 billion while tax exempt bonds remained relatively flat from the prior year. Bond impairments increased by \$29 million in 2015 as compared to 2014.

Bonds at December 31, 2014 of \$29.7 billion increased by 8.3%, or \$2.3 billion, from \$27.4 billion at December 31, 2013. Taxable bonds increased by \$2.3 billion while tax-exempt bonds remained flat from the prior year. Bonds in NAIC Classes 1 and 2 represented 68.8%, 67.8% and 67.4% of total general invested assets as of December 31, 2015, 2014 and 2013, respectively. The percentage of total invested assets representing bond investments in NAIC Classes 3 through 6 was 4.7%, 5.2% and 5.2% as of December 31, 2015, 2014 and 2013, respectively. See "—Investments" for more discussion of NAIC investment classes.

Preferred stocks as of December 31, 2015 increased \$48 million as compared to December 31, 2014, or 40.3%, mainly from increased acquisitions in this asset class. Preferred stocks as of December 31, 2014 increased \$45 million as compared to December 31, 2013, or 59.5%, mainly due to increased acquisitions in this asset class.

Common stocks of subsidiaries and affiliates held by Guardian as of December 31, 2015 decreased \$40 million as compared to December 31, 2014, or 4.0%, consisting of a \$39 million decrease in the value of life insurance subsidiaries and a \$23 million increase in other affiliated common stocks. There was \$50 million contributed to common stock affiliates during 2015, \$74 million in return of capital during 2015 and \$6 million in non-admitted common stock affiliates. Common stocks – subsidiaries and affiliates as of December 31, 2014 decreased \$10 million as compared to December 31, 2013, or 1.0%, consisting of a \$260 million decrease in the value of life insurance subsidiaries and a \$250 million increase in other affiliated common stocks. There were \$310 million contributed to common stock affiliates during 2014 and \$26 million in return of capital during 2014.

Common stocks of unaffiliated entities as of December 31, 2015 decreased \$34 million as compared to December 31, 2014, or 6.5%, primarily due to net dispositions in the portfolio. Net realized gains recognized from

these dispositions were \$0.3 million. Net unrealized losses from stocks were \$31.5 million, while there were no other-than-temporary impairments during 2015. Common stocks – unaffiliated as of December 31, 2014 decreased \$35 million as compared to December 31, 2013, or 6.3%, primarily due net dispositions in the portfolio. Net realized losses recognized from these dispositions were \$12.9 million. Net unrealized gains from stocks were \$4.3 million. There were no other than temporary impairments during 2014.

Mortgage loans as of December 31, 2015 increased \$342 million as compared to December 31, 2014, or 11.2%, including \$816 million of new investments, rollovers and additional funding which were partially offset by \$469 million of paydowns and full payoffs. Mortgage loans as of December 31, 2014 increased \$208 million as compared to December 31, 2013, or 7.3%, including \$691 million of new investment, rollovers and additional fundings which were partially offset by the \$484 million of paydowns and full payoffs.

Guardian does not originate any residential mortgages but invests in residential mortgage loan pools, which may contain mortgages of subprime credit quality.

Policy loans as of December 31, 2015 increased \$106 million as compared to December 31, 2014, or 3.3%, due to growth in the ordinary course of business. Policy loans as of December 31, 2014 increased \$127 million as compared to December 31, 2013, or 4.1%, due to growth in the ordinary course of business.

Properties held for the production of income at December 31, 2015 of \$415 million increased by \$285 million from \$130 million at December 31, 2014. This was primarily due to new statutory accounting requirements that reclassified 100% owned LLCs that had a single property from other invested assets to property held for the production of income. Approximately \$310 million of real estate was reclassified as a result of this change. Real estate occupied by the company is \$15 million as of December 31, 2015 and is included in the \$430 million total. In 2015, Guardian received a net \$21 million from the sale of real estate, which included \$2 million of realized gains. Guardian purchased one directly owned property in 2015 for \$40 million and invested \$1 million in capital improvements. Properties held for the production of income at December 31, 2014 of \$130 million increased by \$3 million from \$127 million at December 31, 2013. This was primarily due to capital improvements on existing properties as no new properties were purchased during 2014. Real estate occupied by the company is \$19 million as of December 31, 2014 and is included in the \$149 million total. Real estate occupied by the company was \$18 million as of December 31, 2013. In 2014, Guardian did not sell any real estate properties. Guardian did not purchase any directly owned real estate during 2014 and invested \$3 million in capital improvements. Depreciation expense recorded during 2015 totaled \$20 million and the increase in encumbrances was \$204 million. Depreciation expense during 2014 totaled \$5 million and the decrease in encumbrances was \$6 million. As of December 31, 2015, industrial and other buildings in the general account represented 25.6% of Guardian's real estate portfolio compared to 70.6% for the same property type as of December 31, 2014.

Partnerships and LLCs as of December 31, 2015 decreased \$230 million as compared to December 31, 2014, or 10.8%, as a result of the new statutory accounting requirements which removed 100% owned single property LLCs from this classification and reclassified them as properties held for the production of income. During 2015, there were also \$85 million of net unrealized pass-through gains due to the appreciation of the private equity portfolio. Partnerships and LLCs had \$6 million in other than temporary impairments as of December 31, 2015. In 2015, there were \$850 million of return of capital which included sales of 4 real estate joint venture partnerships, 1 sale of an affiliated LLCs, and 1 sale of a private equity limited partnership that generated \$246 million in realized gains. Partnerships and LLCs as of December 31, 2014 increased \$164 million as compared to December 31, 2013, or 8.4%, as a result of increased capital calls for the private equity limited partnership investments. During 2014, there were also \$42 million of net unrealized pass-through losses due to depreciation of the private equity portfolio. Partnerships and LLCs had no other than temporary impairments as of December 31, 2014. In 2014, there were \$237 million of returns of capital which included sales of 3 real estate joint ventures that generated \$62 million in realized gains.

Derivatives and other invested assets at December 31, 2015 were \$11 million and \$13 million at December 31, 2014. This balance represented the value of the foreign currency swaps and a small number of unsettled trades as of December 31, 2015 relating to bond and stock trading activities. Derivatives and other invested assets at December 31, 2014 were \$13 million and represented the value of open forward contracts and a small number of unsettled trades.



Guardian uses derivative financial instruments in the ordinary course of business to attempt to manage risks, primarily to reduce equity, interest rate and currency risk. For a description of these hedging programs and their limitations, see “—Quantitative and Qualitative Information about Market Risk—Hedging Programs.” The vast majority of Guardian’s investment risk is not hedged. Guardian may use a combination of derivatives and fixed income investments to create synthetic investment positions. These combined investments are created opportunistically when they are economically more attractive than the replicated instrument or when the replicated instrument is unavailable. To a much lesser extent, some of these combinations are considered replicated asset transactions as defined under statutory accounting principles.

Cash, cash equivalents and short-term investments increased by \$13 million at December 31, 2015 compared to December 31, 2014 as a result of increased fourth quarter 2015 sales that were not reinvested by the end of the year. Cash, cash equivalents and short-term investments increased by \$134 million at December 31, 2014 compared to December 31, 2013 due to increased fourth quarter 2014 sales that were not reinvested by the end of the year.

Investment income due and accrued at December 31, 2015 of \$367 million was the same as the amount recorded at December 31, 2014. Investment income due and accrued at December 31, 2014 of \$367 million was \$21 million more than the \$346 million at December 31, 2013.

Other than invested assets increased \$278 million from \$4.663 billion at December 31, 2014 to \$4.941 billion at December 31, 2015, primarily due to increased receivables from subsidiaries and affiliates and current federal and foreign tax recoverable. Other than invested assets at December 31, 2014 increased \$308 million as compared to December 31, 2013 due primarily to increased funds held by or deposited with reinsured companies and current federal and foreign tax recoverable.

### ***Liabilities***

Total liabilities as of December 31, 2015 increased \$2.427 billion, or 6.1%, as compared to December 31, 2014, primarily due to increases in reserves for policy benefits.

The increase in reserves for policy benefits of \$2.173 billion at December 31, 2015 as compared to December 31, 2014 is primarily related to the natural growth of reserves and strengthening of disability claim reserves.

Policyholder dividends payable and other contract liabilities increased \$135 million at December 31, 2015 as compared to December 31, 2014, primarily due to a change in the dividend scale and increased pending claims and premiums paid in advance.

Total liabilities as of December 31, 2014 increased \$2.550 billion, or 6.9%, as compared to December 31, 2013 due primarily to increases in reserves for policy benefits.

AVR increased \$44 million, or 5.8%, at December 31, 2015 as compared to December 31, 2014, primarily due to the basic contribution required by the AVR formula. The mortgage loan 2015 AVR component increased by \$4 million also mainly as a result of the basic contribution required by the AVR formula. In addition, the real estate and other invested asset reserve component for 2015 increased by \$25 million due to a \$122 million increase in private equity investments. These increases were slightly offset by a decrease in the common stock reserve of \$1 million during 2015. At December 31, 2015, \$301 million was reserved for bonds, preferred stock, short-term investments and derivatives, \$33 million was reserved for mortgage loans, \$121 million was reserved for common stock and \$343 million was reserved for real estate and other invested assets.

AVR increased \$68 million, or 9.9%, at December 31, 2014 as compared to December 31, 2013, primarily due to a \$59 million increase in the common stock and real estate and other invested assets reserve, which was primarily due to an increase in the affiliated – all other common stock value of \$250 million and increased investments in private equity of \$105 million. Mortgage loan’s 2014 AVR component decreased by \$7 million mainly due to a statutory formula change that replaced the mortgage experience adjustment factor. The real estate

and other invested asset reserve component for 2014 increased by \$23 million mainly due to the increase in private equity investments mentioned above. In addition, the common stock AVR component for 2014 increased by \$36 million. This was primarily due to the increase in the affiliated - all other common stock value mentioned above. At December 31, 2014, \$285 million is reserved for bonds, preferred stock, short-term investments and derivatives, \$29 million is reserved for mortgage loans, \$122 million is reserved for common stock and \$318 million is reserved for real estate and other invested assets. The total AVR balance of \$754 million was at the maximum allowed reserve.

Other liabilities at December 31, 2015 of \$1.640 billion increased by \$112 million from \$1.528 billion at December 31, 2014. This increase was primarily due to increases in general expenses.

Other liabilities at December 31, 2014 of \$1.528 billion increased \$202 million from December 31, 2013.

### ***Surplus***

Surplus increased \$398 million from \$5.692 billion at December 31, 2014 to \$6.090 billion at December 31, 2015. The increase in surplus was primarily due to net income of \$433 million.

Surplus increased \$680 million from \$5.012 billion at December 31, 2013 to \$5.692 billion at December 31, 2014 due primarily to net income of \$712 million and issuance of \$449 million of 2064 Surplus Notes partially offset by reduction in prepaid pension assets and unrealized losses.

## **Liquidity and Capital Resources**

### ***Liquidity***

Guardian manages its liquidity position by matching its exposure to cash demands with adequate sources of cash and other liquid assets. Guardian's principal sources of liquidity are operating cash flows and holdings of cash, cash equivalents and other readily marketable assets. Historically, Guardian has consistently experienced net positive cash flows from operations. Guardian's primary cash flow sources include investment income, principal repayments on invested assets, and insurance premiums.

Cash, cash equivalents and short-term investments increased \$13 million, or 1.7%, as of December 31, 2015 as compared to December 31, 2014. Cash, cash equivalents and short-term investments increased \$134 million, or 21.2%, as of December 31, 2014 as compared to December 31, 2013.

Net cash provided from operations for the year ended December 31, 2015 was \$2.358 billion. For the year ended December 31, 2015, net cash applied from investing activities amounted to \$2.350 billion and net cash provided from financing totaled \$5 million. Net cash provided from operations decreased \$135 million, or 5.4%, to \$2.358 million in 2015 as compared to 2014. The decrease is primarily attributable to decreases in investment income of \$121 million, benefits and loss payments of \$155 million, commissions, expenses and taxes paid of \$156 million, and other of \$166 million. Partially offsetting these increases to net cash provided from operations are increases in premiums and other income received of \$313 million and other income of \$150 million.

Net cash provided from operations for the year ended December 31, 2014 was \$2.493 billion. At December 31, 2014, net cash applied from investing activities amounted to \$2.820 billion and net cash provided from financing totaled \$461 million. Net cash provided from operations increased \$346 million, or 16.1%, to \$2.493 billion in 2014 as compared to 2013. The increase is primarily attributable to increases in premiums and other income received of \$308 million, and investment income of \$357 million; partially offsetting these increases are benefits and loss payments of \$231 million. Net cash provided by financing was \$461 million in 2014 due primarily to the issuance of a surplus note totaling \$449 million.

Excess operating cash flow is used to purchase investments. Purchases of investments and the net increase in policy loans were \$14.8 billion, \$14.7 billion and \$19.2 billion for the years ended December 31, 2015, December 31, 2014, and December 31, 2013, respectively, while sales and maturities of investments and receipts from

repayments of loans were \$12.6 billion, \$12.0 billion and \$17.4 billion, respectively, resulting in a net cash outflow of \$2.2 billion, \$2.7 billion and \$1.8 billion, respectively.

Guardian utilizes what it believes to be sophisticated asset/liability analysis techniques in the management of the investments supporting its liabilities. Additionally, Guardian tests the adequacy of the projected cash flows provided by assets to meet all of its future policyholder and other obligations. Guardian performs these studies using stress tests regarding future credit and other asset losses, market interest rate fluctuations, claim losses, and other considerations. The result provides a view of the adequacy of the underlying assets, reserves, and capital. Guardian analyzes a variety of scenarios modeling potential demands on liquidity, taking into account the provisions of policies and contracts in force, its cash flow position, and the volume of cash and readily marketable securities in its portfolio. Guardian attempts to proactively manage its liquidity position on an ongoing basis to meet cash needs while minimizing adverse impacts on investment returns.

In most scenarios that Guardian has tested, operating cash flow is sufficient to satisfy its obligations. Guardian believes that even in extreme scenarios tested, obligations can be met in the modeled stress tests through operating cash flows and the sale of some of Guardian's liquid assets. These stress test scenarios assume no new business that would result in immediate positive cash flow. In addition, if Guardian was in a stress situation, some uses of cash could be suspended, including new investments in illiquid instruments. However, given the inherent limitations and underlying assumptions of quantitative modeling, there can be no assurances of Guardian's ability to maintain sufficient liquidity under actual liquidity needs. See "Risk Factors—Risk Factors Related to Guardian—Guardian's investment portfolio and aspects of Guardian's business are subject to the full range of market risks, including credit, liquidity and equity markets and interest rate risks" and "—Some of Guardian's investments are relatively illiquid and are in asset classes that could experience significant market valuation fluctuations."

### ***Liquidity Risks***

Liquidity risk is the risk that Guardian will not have access to sufficient funds to meet its liabilities when due. Guardian believes that its product mix contributes to its strong liquidity position. Guardian's blocks of variable life insurance and VA contracts limit its liquidity risk because the customer bears most of the investment risk for these types of products. A primary liquidity concern for Guardian is the risk of early contract owner and policyholder life insurance policy loans and surrenders and withdrawals. Guardian closely evaluates and manages this risk. As a matter of policy, virtually all of Guardian's life insurance and annuity products contain surrender charges for varying durations or fair value adjustments, reducing the risk that customers will seek surrenders and withdrawals or life insurance policy loans during the periods when surrender charges or fair value adjustments are in place. Surrender charges or fair value adjustments help Guardian to better plan the maturities of its invested assets by reducing the risk that future outflows will exceed anticipated levels.

Guardian's principal sources of liquidity to meet unexpected cash outflows are its portfolio of liquid assets and its net operating cash flow. Liquid assets include cash, cash equivalents, short-term investments and other readily marketable public securities. Furthermore, Guardian monitors and manages cash flows over a one-year horizon in order to attempt to maximize investment returns relative to client obligations and to reduce the number, length of time and severity of asset and liability cash flow mismatches. See "—Investments" for a more detailed discussion of the investment portfolio.

### ***Dividends from Subsidiaries***

Guardian has not historically relied on dividends from its subsidiaries to meet its operating cash flow requirements. Dividend payments from insurance subsidiaries are generally subject to certain restrictions imposed by statutory authorities. Additionally, dividend payments from other subsidiaries are limited to their retained earnings.

For Guardian's life insurance subsidiaries, including BLICOA and GIAC, substantially all of the statutory aggregate surplus of approximately \$518 million as of December 31, 2015 is subject to dividend restrictions. Under the laws of Delaware and Massachusetts, the domiciliary states of GIAC and BLICOA, respectively, dividends in excess of unassigned funds require regulatory approval. In addition, BLICOA and GIAC must seek regulatory approval prior to paying a dividend whose fair market value together with other dividends within the preceding

twelve months exceeds the greater of (i) 10% of the insurer's policyholder surplus as of the last day of December next preceding or (ii) the net gain from operations of the insurer for the twelve month period ending the last day of December next preceding. Guardian's life insurance subsidiaries, including BLICOA and GIAC, had the ability to make dividend payments up to \$77 million in 2016 without obtaining prior approval from their respective state insurance departments. Guardian's individual disability income insurance line of business is written by BLICOA and Guardian is, accordingly, only able to receive income generated by this line of business through dividends received from BLICOA. For the years ended December 31, 2015, 2014 and 2013, Guardian received an aggregate of \$43 million, \$324 million and \$3 million, respectively, in cash dividends from its subsidiaries. The dividend in 2014 consisted of cash and \$305 million in mortgages and private placement bonds Guardian received from BLICOA. Guardian can make no assurance regarding the timing or amount of dividends, if any, that may be paid by these subsidiaries to Guardian in the future. GIS and FCW are not subject to dividend restrictions imposed by statutory authorities but may pay dividends up to but not exceeding any accumulated earnings. As of December 31, 2015, FCW had accumulated earnings of \$19 million and would have been able to pay a dividend up to \$19 million in 2015. As of December 31, 2014 and 2013, FCW had accumulated losses of \$2 million and \$11 million, respectively, and therefore was not able to pay dividends.

### ***Capital Resources***

The NAIC has an RBC model to compare total adjusted capital with a standard design in order to reflect an insurance company's risk profile. RBC is calculated at year end for regulatory purposes, and Guardian estimates RBC on an interim basis. Although Guardian believes that there is no single appropriate means of measuring capital needs, Guardian feels that the NAIC approach to RBC measurement is reasonable and conservative, and Guardian manages its capital position with significant attention to maintaining adequate total adjusted capital relative to RBC. Guardian's total adjusted capital was well in excess of all RBC standards at December 31, 2015, 2014, and 2013. Guardian believes that it enjoys a strong capital position in light of its risks and that it is well-positioned to meet policyholder and other obligations.

### ***Existing Surplus Notes***

On October 6, 2009, the Company issued the 7.375% Surplus Notes due 2039 (the "2039 Surplus Notes") with a principal balance of \$400 million, bearing interest at 7.375%, and scheduled to mature on September 30, 2039. Proceeds from the issuance of the 2039 Surplus Notes were \$392.4 million, net of discounts and fees. Interest on these 2039 Surplus Notes is scheduled to be paid semiannually on March 31 and September 30 of each year. The 2039 Surplus Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York Insurance Law, the 2039 Surplus Notes are not part of the legal liabilities of the Company. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds that the Superintendent determines to be available for such payments under New York Insurance Law. Provided that approval is granted by the Superintendent, the 2039 Surplus Notes may be redeemed at the option of the Company at any time (in whole or in part) at the "make-whole" redemption price equal to the greater of the principal amount of the 2039 Surplus Notes to be redeemed, or the sum of the present value of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the 2039 Surplus Notes are to be redeemed, discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 50 basis points. The Company paid \$30 million in interest on the 2039 Surplus Notes in each of the nine months ended September 30, 2016 and September 30, 2015, respectively. The Company paid \$30 million in interest on the 2039 Surplus Notes in each of the years ended December 31, 2015, 2014 and 2013, respectively.

On June 19, 2014, the Company issued the 4.875% Surplus Notes due 2064 (the "2064 Surplus Notes" and together with the 2039 Surplus Notes, the "Existing Surplus Notes") with a principal balance of \$450 million, bearing interest at 4.875%, and scheduled to mature on June 19, 2064. Proceeds from the issuance of the 2064 Surplus Notes were \$445 million, net of discounts and fees. Interest on these 2064 Surplus Notes is scheduled to be paid semiannually on June 19 and December 19 of each year. The 2064 Surplus Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York Insurance Law, the 2064 Surplus Notes are not part of the legal liabilities of the Company. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds that the Superintendent determines to be available for such payments under New York Insurance Law. Provided that

approval is granted by the Superintendent, the 2064 Surplus Notes may be redeemed at the option of the Company at any time (in whole or in part) at the “make-whole” redemption price equal to the greater of the principal amount of the 2064 Surplus Notes to be redeemed, or the sum of the present value of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the 2064 Surplus Notes are to be redeemed, discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 25 basis points. The Company paid \$11 million in interest on the 2064 Surplus Notes in the nine months ended September 30, 2016 and \$11 million in interest in the nine months ended September 30, 2015. The Company paid \$22 million in interest on the 2064 Surplus Notes in the year ended December 31, 2015 and \$11 million in interest on the 2064 Surplus Notes in the year ended December 31, 2014.

### ***Funding Agreement-Backed Notes***

On April 18, 2016, Guardian Life Global Funding, a special purpose trust, established a global debt issuance program (the “FABN Program”) for the sale from time to time of up to \$3 billion in funding agreement-backed notes. On April 26, 2016 and October 27, 2016, Guardian Life Global Funding issued \$500 million and \$300 million, respectively, under the FABN Program (the “FA-Backed Notes”). Pursuant to the FABN Program, Guardian Life Global Funding used the proceeds from each sale of FA-Backed Notes to purchase a funding agreement from Guardian, which secure the obligations of the relevant FA-Backed Notes. Guardian Life Global Funding is not a subsidiary or affiliate of Guardian, or any of its subsidiaries or affiliates. While the funding agreements are unsecured obligations of Guardian, the FA-Backed Notes are not obligations of, and will not be guaranteed by, Guardian or any of its subsidiaries or affiliates. In the nine months ended September 30, 2016, the Company paid \$5 million in interest on the funding agreement securing the outstanding FA-Backed Notes.

## **Investments**

### ***General***

At September 30, 2016, Guardian had \$46.3 billion of invested assets in its general account, an increase of \$3.3 billion from September 30, 2015. At December 31, 2015, Guardian had \$43.2 billion of invested assets in its general account, an increase of \$2.5 billion from December 31, 2014. Guardian had \$40.6 billion in invested assets at December 31, 2014. Guardian manages the portfolio of invested assets to support the general account liabilities in light of liability characteristics and risk management considerations.

The following tables sets forth Guardian’s invested assets in the general account as of the dates indicated:

|                                            | September 30,    |               |                  | December 31,  |                  |               |                  |               |
|--------------------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
|                                            | 2016             |               | 2015             |               | 2014             |               | 2013             |               |
|                                            | Carrying Value   | % of Total    | Carrying Value   | % of Total    | Carrying Value   | % of Total    | Carrying Value   | % of Total    |
|                                            | (\$ in Millions) |               |                  |               |                  |               |                  |               |
| Bonds:                                     |                  |               |                  |               |                  |               |                  |               |
| Public bonds .....                         | \$ 24,207        | 52.2%         | \$ 22,192        | 51.4%         | \$ 21,286        | 52.4%         | \$ 19,462        | 51.6%         |
| Private placement bonds.....               | 7,984            | 17.2%         | 7,765            | 18.0%         | 6,900            | 17.0%         | 6,285            | 16.7%         |
| CMBS.....                                  | 1,598            | 3.4%          | 1,156            | 2.7%          | 962              | 2.4%          | 977              | 2.6%          |
| RMBS.....                                  | 399              | 0.9%          | 383              | 0.9%          | 463              | 1.1%          | 632              | 1.7%          |
| Asset backed securities.....               | 614              | 1.3%          | 220              | 0.5%          | 42               | 0.1%          | 24               | 0.1%          |
| Total bonds .....                          | 34,802           | 75.0%         | 31,716           | 73.5%         | 29,653           | 73.0%         | 27,380           | 72.6%         |
| Preferred stocks.....                      | 116              | 0.3%          | 167              | 0.4%          | 119              | 0.3%          | 75               | 0.2%          |
| Common stocks—                             |                  |               |                  |               |                  |               |                  |               |
| subsidiaries and affiliates....            | 1,130            | 2.4%          | 966              | 2.2%          | 1,006            | 2.5%          | 1,016            | 2.7%          |
| Common stocks—                             |                  |               |                  |               |                  |               |                  |               |
| unaffiliated .....                         | 463              | 1.0%          | 490              | 1.1%          | 524              | 1.3%          | 559              | 1.5%          |
| Mortgage loans .....                       | 3,424            | 7.4%          | 3,388            | 7.9%          | 3,046            | 7.5%          | 2,838            | 7.5%          |
| Policy loans.....                          | 3,375            | 7.3%          | 3,337            | 7.7%          | 3,231            | 7.9%          | 3,104            | 8.2%          |
| Real estate.....                           | 401              | 0.9%          | 430              | 1.0%          | 149              | 0.4%          | 145              | 0.4%          |
| Partnerships and LLCs .....                | 1,746            | 3.8%          | 1,897            | 4.4%          | 2,127            | 5.2%          | 1,963            | 5.2%          |
| Derivatives.....                           | 19               | 0.0%          | 9                | 0.0%          | 12               | 0.0%          | -                | 0.0%          |
| Other invested assets <sup>(1)</sup> ..... | 235              | 0.5%          | 2                | 0.0%          | 1                | 0.0%          | -                | 0.0%          |
| Cash, cash equivalents and                 |                  |               |                  |               |                  |               |                  |               |
| short-term investments .....               | 631              | 1.4%          | 778              | 1.8%          | 765              | 1.9%          | 631              | 1.7%          |
| <b>Total investments .....</b>             | <b>\$ 46,342</b> | <b>100.0%</b> | <b>\$ 43,180</b> | <b>100.0%</b> | <b>\$ 40,633</b> | <b>100.0%</b> | <b>\$ 37,711</b> | <b>100.0%</b> |

- (1) This line item consists primarily of receivables from broker on securities sold. Carrying value of investments is discussed in the Critical Accounting Policies section.

### **Impairments**

Impairments during the nine months ended September 30, 2016 and 2015 totaled \$43 million and \$10 million, respectively. In the nine months ended September 30, 2016 all of the impairments were taken on private equity limited partnership investments. In the nine months ended September 30, 2015, all of the impairments were taken on public bonds.

Impairments during 2015, 2014 and 2013 totaled \$188 million, \$2 million and \$18 million, respectively. In 2015, \$151 million of impairments were taken on an affiliated LLC, \$1 million of impairments were taken on real estate limited partnerships, \$31 million were taken on corporate bonds and \$5 million were taken on private equity limited partnership investments. In 2014, \$2 million of impairments were taken on private placement bonds. In 2013, \$9 million of impairments were taken on real estate joint ventures, \$5 million were taken on mortgage loans and \$4 million were taken on private equity limited partnership investments.

### **Guardian's Investment Strategy**

Guardian's principal investment objective is to invest prudently for the long-term and deliver competitive dividends and financial security for its policyholders. Guardian's investment philosophy starts with what it believes to be sound asset allocation strategies, thereby seeking to optimize expected long-term returns within well-defined risk parameters, while benefiting from diversification strategies designed to reduce risk.

Guardian's portfolio managers employ what it believes to be a disciplined investment decision-making process, which is fundamentally based on proprietary research and analysis. Guardian employs this process in part to avoid what it views as overreliance on rating agencies or quantitative risk models. Additionally, Guardian's asset liability investment management process carefully integrates asset maturities in a manner consistent with its view of prudent funding of insurance liabilities. Guardian's process is designed to optimize risk/reward profiles and deliver consistent financial results, although this cannot be assured.

### **Bonds**

Bonds consist primarily of government backed securities and high-quality marketable corporate debt securities. Guardian invests a significant portion of its investment funds in high quality publicly traded bonds in order to maintain and manage liquidity and reduce the risk of default in the portfolio.

The NAIC SVO rates investment credit risk based upon the issuer's credit profile. NAIC rating designations range from 1 to 6. An NAIC designation of 1 denotes obligations of the highest quality in which credit risk is at its lowest and the issuer's credit profile is stable; whereas an NAIC designation of 6 is assigned to obligations that are in or near default. Classes 1 and 2 are investment grade, and Classes 3, 4, 5 and 6 are non-investment grade.

The following table sets forth the SVO ratings for Guardian's bond portfolio along with what it believes are the equivalent rating agency designations.

### **Total Portfolio Credit Quality**

| NAIC<br>Classes | Rating Agency<br>Equivalent<br>Designation | September 30,     |                           |                            | December 31,      |                            |                           |                   |                            |                           |                   |                            |                           |
|-----------------|--------------------------------------------|-------------------|---------------------------|----------------------------|-------------------|----------------------------|---------------------------|-------------------|----------------------------|---------------------------|-------------------|----------------------------|---------------------------|
|                 |                                            | 2016              |                           |                            | 2015              |                            |                           | 2014              |                            | 2013                      |                   |                            |                           |
|                 |                                            | Carrying<br>Value | % of<br>Carrying<br>Value | Estimated<br>Fair<br>Value | Carrying<br>Value | Estimated<br>Fair<br>Value | % of<br>Carrying<br>Value | Carrying<br>Value | Estimated<br>Fair<br>Value | % of<br>Carrying<br>Value | Carrying<br>Value | Estimated<br>Fair<br>Value | % of<br>Carrying<br>Value |
|                 |                                            |                   |                           |                            |                   |                            |                           |                   |                            |                           |                   |                            |                           |
| 1               | Aaa/Aa/A.....                              | \$ 17,267         | 49.6%                     | \$ 19,077                  | \$ 16,150         | \$ 16,876                  | 50.9%                     | \$ 14,208         | \$ 15,707                  | 47.9%                     | \$ 12,903         | \$ 13,469                  | 47.1%                     |
| 2               | Baa.....                                   | 14,738            | 42.3%                     | 15,840                     | 13,531            | 13,551                     | 42.7%                     | 13,332            | 14,332                     | 45.0%                     | 12,516            | 13,158                     | 45.7%                     |
| 3               | Ba.....                                    | 1,421             | 4.1%                      | 1,428                      | 1,004             | 958                        | 3.2%                      | 1,075             | 1,089                      | 3.6%                      | 863               | 899                        | 3.2%                      |
| 4               | B.....                                     | 1,212             | 3.5%                      | 1,239                      | 893               | 871                        | 2.8%                      | 948               | 963                        | 3.2%                      | 1,018             | 1,103                      | 3.7%                      |

|   |                       |                         |                      |                         |                         |                         |                      |                         |                         |                      |                         |                         |                      |
|---|-----------------------|-------------------------|----------------------|-------------------------|-------------------------|-------------------------|----------------------|-------------------------|-------------------------|----------------------|-------------------------|-------------------------|----------------------|
| 5 | Caa and lower .....   | 127                     | 0.4%                 | 126                     | 138                     | 125                     | 0.4%                 | 90                      | 89                      | 0.3%                 | 80                      | 91                      | 0.3%                 |
| 6 | In or near default... | <u>37</u>               | <u>0.1%</u>          | <u>39</u>               | <u>0</u>                | <u>0</u>                | <u>0.0%</u>          | <u>0</u>                | <u>0</u>                | <u>0.0%</u>          | <u>0</u>                | <u>0</u>                | <u>0.0%</u>          |
|   | <b>Total.....</b>     | <b><u>\$ 34,802</u></b> | <b><u>100.0%</u></b> | <b><u>\$ 37,749</u></b> | <b><u>\$ 31,716</u></b> | <b><u>\$ 32,381</u></b> | <b><u>100.0%</u></b> | <b><u>\$ 29,653</u></b> | <b><u>\$ 32,180</u></b> | <b><u>100.0%</u></b> | <b><u>\$ 27,380</u></b> | <b><u>\$ 28,720</u></b> | <b><u>100.0%</u></b> |

The tables below set forth the NAIC SVO ratings for Guardian's publicly traded and privately placed portfolios.

## Publicly Traded Credit Quality

|                 |                                            | September 30      |                            |                           | December 31,      |                            |                           |                   |                            |                           |                   |                            |                           |
|-----------------|--------------------------------------------|-------------------|----------------------------|---------------------------|-------------------|----------------------------|---------------------------|-------------------|----------------------------|---------------------------|-------------------|----------------------------|---------------------------|
|                 |                                            | 2016              |                            |                           | 2015              |                            |                           | 2014              |                            |                           | 2013              |                            |                           |
| NAIC<br>Classes | Rating Agency<br>Equivalent<br>Designation | Carrying<br>Value | Estimated<br>Fair<br>Value | % of<br>Carrying<br>Value | (\$ in Millions)  |                            |                           |                   |                            |                           |                   |                            |                           |
|                 |                                            |                   |                            |                           | Carrying<br>Value | Estimated<br>Fair<br>Value | % of<br>Carrying<br>Value | Carrying<br>Value | Estimated<br>Fair<br>Value | % of<br>Carrying<br>Value | Carrying<br>Value | Estimated<br>Fair<br>Value | % of<br>Carrying<br>Value |
| 1               | Aaa/Aa/A.....                              | \$ 15,447         | \$ 17,123                  | 57.6%                     | \$ 14,431         | \$ 15,117                  | 60.2%                     | \$ 12,942         | \$ 14,344                  | 56.9%                     | \$ 11,873         | \$ 12,358                  | 56.3%                     |
| 2               | Baa.....                                   | 9,178             | 9,955                      | 34.2%                     | 7,928             | 7,890                      | 33.1%                     | 8,039             | 8,777                      | 35.3%                     | 7,551             | 7,955                      | 35.8%                     |
| 3               | Ba.....                                    | 896               | 924                        | 3.4%                      | 639               | 626                        | 2.7%                      | 748               | 768                        | 3.3%                      | 653               | 686                        | 3.1%                      |
| 4               | B.....                                     | 1,158             | 1,189                      | 4.3%                      | 829               | 814                        | 3.5%                      | 948               | 963                        | 4.2%                      | 943               | 1,031                      | 4.5%                      |
| 5               | Caa and lower.....                         | 102               | 102                        | 0.4%                      | 124               | 111                        | 0.5%                      | 76                | 76                         | 0.3%                      | 75                | 87                         | 0.4%                      |
| 6               | In or near default.....                    | 37                | 39                         | 0.1%                      | 0                 | 0                          | 0.0%                      | 0                 | 0                          | 0.0%                      | 0                 | 0                          | 0.0%                      |
|                 | <b>Total</b> .....                         | <b>\$ 26,818</b>  | <b>\$ 29,332</b>           | <b>100.0%</b>             | <b>\$ 23,951</b>  | <b>\$ 24,558</b>           | <b>100.0%</b>             | <b>\$ 22,753</b>  | <b>\$ 24,928</b>           | <b>100.0%</b>             | <b>\$ 21,095</b>  | <b>\$ 22,117</b>           | <b>100.0%</b>             |

## Privately Placed Credit Quality

|                 |                                            | September 30      |                            |                           | December 31,      |                            |                           |                   |                            |                           |                   |                            |                           |
|-----------------|--------------------------------------------|-------------------|----------------------------|---------------------------|-------------------|----------------------------|---------------------------|-------------------|----------------------------|---------------------------|-------------------|----------------------------|---------------------------|
|                 |                                            | 2016              |                            |                           | 2015              |                            |                           | 2014              |                            |                           | 2013              |                            |                           |
| NAIC<br>Classes | Rating Agency<br>Equivalent<br>Designation | Carrying<br>Value | Estimated<br>Fair<br>Value | % of<br>Carrying<br>Value | (\$ in Millions)  |                            |                           |                   |                            |                           |                   |                            |                           |
|                 |                                            |                   |                            |                           | Carrying<br>Value | Estimated<br>Fair<br>Value | % of<br>Carrying<br>Value | Carrying<br>Value | Estimated<br>Fair<br>Value | % of<br>Carrying<br>Value | Carrying<br>Value | Estimated<br>Fair<br>Value | % of<br>Carrying<br>Value |
| 1               | Aaa/Aa/A.....                              | \$ 1,820          | \$ 1,954                   | 22.8%                     | \$ 1,719          | \$ 1,759                   | 22.1%                     | \$ 1,266          | \$ 1,363                   | 18.4%                     | \$ 1,031          | \$ 1,110                   | 16.4%                     |
| 2               | Baa.....                                   | 5,560             | 5,885                      | 69.6%                     | 5,603             | 5,661                      | 72.2%                     | 5,293             | 5,555                      | 76.7%                     | 4,964             | 5,203                      | 79.0%                     |
| 3               | Ba.....                                    | 525               | 504                        | 6.6%                      | 365               | 332                        | 4.7%                      | 327               | 321                        | 4.7%                      | 210               | 213                        | 3.3%                      |
| 4               | B.....                                     | 54                | 50                         | 0.7%                      | 64                | 57                         | 0.8%                      | 0                 | 0                          | 0.0%                      | 76                | 73                         | 1.2%                      |
| 5               | Caa and lower.....                         | 25                | 24                         | 0.3%                      | 14                | 14                         | 0.2%                      | 14                | 13                         | 0.2%                      | 4                 | 4                          | 0.1%                      |
| 6               | In or near default.....                    | 0                 | 0                          | 0.0%                      | 0                 | 0                          | 0.0%                      | 0                 | 0                          | 0.0%                      | 0                 | 0                          | 0.0%                      |
|                 | <b>Total.....</b>                          | <b>\$ 7,984</b>   | <b>\$ 8,417</b>            | <b>100.0%</b>             | <b>\$ 7,765</b>   | <b>\$ 7,823</b>            | <b>100.0%</b>             | <b>\$ 6,900</b>   | <b>\$ 7,252</b>            | <b>100.0%</b>             | <b>\$ 6,285</b>   | <b>\$ 6,603</b>            | <b>100.0%</b>             |

Guardian utilizes its investments in the privately placed portfolio to enhance the value of the overall portfolio, increase diversification, and obtain higher yields than can be earned by investing in comparable quality public market securities. To control risk when utilizing privately placed securities, Guardian relies upon broader access to management information, stronger negotiated protective covenants, call protection features, and a higher level of collateralization than can customarily be achieved in the public market. The strength of the privately placed portfolio is demonstrated by the predominance of NAIC Class 1 and 2 securities.

The following tables summarize Guardian's fixed income securities by maturity.

## Fixed Income Securities By Maturity

|                                                                                    | September 30,     |                  |                                   |               |                    | December 31,      |               |                                   |               |                    |                   |               |                                   |               |                    |
|------------------------------------------------------------------------------------|-------------------|------------------|-----------------------------------|---------------|--------------------|-------------------|---------------|-----------------------------------|---------------|--------------------|-------------------|---------------|-----------------------------------|---------------|--------------------|
|                                                                                    | 2016              |                  |                                   |               |                    | 2015              |               |                                   |               |                    | 2014              |               |                                   |               |                    |
|                                                                                    | Carrying<br>Value | % of<br>Total    | Fair<br>Value<br>(\$ in Millions) | % of<br>Total | Gains/<br>(Losses) | Carrying<br>Value | % of<br>Total | Fair<br>Value<br>(\$ in Millions) | % of<br>Total | Gains/<br>(Losses) | Carrying<br>Value | % of<br>Total | Fair<br>Value<br>(\$ in Millions) | % of<br>Total | Gains/<br>(Losses) |
| Due in one year or less.....                                                       | \$ 206            | 0.6%             | \$ 220                            | 0.6%          | \$ 14              | \$ 314            | 1.0%          | \$ 347                            | 1.1%          | \$ 33              | \$ 471            | 1.6%          | \$ 498                            | 1.6%          | \$ 27              |
| Due after one year through five years.....                                         | 5,674             | 16.3%            | 6,003                             | 15.9%         | 329                | 4,206             | 13.3%         | 4,422                             | 13.6%         | 216                | 3,898             | 13.1%         | 4,226                             | 13.1%         | 328                |
| Due after five years through ten years.....                                        | 9,960             | 28.6%            | 10,436                            | 27.6%         | 476                | 10,013            | 31.5%         | 9,978                             | 30.8%         | (35)               | 10,359            | 34.9%         | 10,765                            | 33.5%         | 406                |
| Due after ten years.....                                                           | 15,028            | 43.2%            | 16,760                            | 44.4%         | 1,732              | 12,344            | 38.9%         | 12,594                            | 38.9%         | 250                | 11,082            | 37.4%         | 12,494                            | 38.8%         | 1,412              |
| Subtotal(1).....                                                                   | 30,868            | 88.7%            | 33,419                            | 88.5%         | 2,551              | 26,877            | 84.7%         | 27,341                            | 84.4%         | 464                | 25,810            | 87.0%         | 27,983                            | 87.0%         | 2,173              |
| Sinking fund bonds, mortgage-backed securities and asset-backed securities(2)..... | 3,934             | 11.3%            | 4,330                             | 11.5%         | 396                | 4,839             | 15.3%         | 5,040                             | 15.6%         | 201                | 3,843             | 13.0%         | 4,196                             | 13.0%         | 353                |
| <b>Total</b> .....                                                                 | <b>\$34,802</b>   | <b>\$ 100.0%</b> | <b>\$37,749</b>                   | <b>100.0%</b> | <b>\$ 2,947</b>    | <b>\$31,716</b>   | <b>100.0%</b> | <b>\$32,381</b>                   | <b>100.0%</b> | <b>\$ 665</b>      | <b>\$29,653</b>   | <b>100.0%</b> | <b>\$32,179</b>                   | <b>100.0%</b> | <b>\$ 2,526</b>    |

- (1) Includes convertible bonds, public and private corporates, U.S. government/agencies, tax exempt and taxable municipals, non-U.S. bonds, and bank loans.
- (2) Includes agency and non-agency RMBS pass throughs, asset-backed securities, commercial mortgage-backed securities, and CMOs.

Guardian attempts to diversify its investment portfolio across asset type, industry and issuer in order to reduce the risk of adverse events affecting a single asset type, industry or issuer from having a material negative impact on the portfolio. Additionally, Guardian does not own any Collateralized Debt Obligations ("CDOs"), Structured Investment Vehicles ("SIVs"), or Asset Backed Commercial Paper. Fixed income securities were diversified by asset category of issuer at September 30, 2016 and 2015 and December 31, 2015 and 2014 as set forth in the following tables.



## Composition of Fixed Income Securities Portfolio

| September 30, 2016                                     |                    |               |                                |               |                    |
|--------------------------------------------------------|--------------------|---------------|--------------------------------|---------------|--------------------|
|                                                        | Carrying Value     | % of Total    | Fair Value<br>(\$ in Millions) | % of Total    | Gains/<br>(Losses) |
| U.S. Treasury securities .....                         | \$ 1,352.6         | 3.9%          | \$ 1,404.0                     | 3.7%          | \$ 51.3            |
| U.S. Government Agencies .....                         | 4.8                | 0.0%          | 4.7                            | 0.0%          | (0.1)              |
| Obligations of States and Political Subdivisions ..... | 2,193.5            | 6.3%          | 2,578.2                        | 6.8%          | 384.8              |
| Debt Securities Issued by Foreign Governments .....    | 206.7              | 0.6%          | 216.3                          | 0.6%          | 9.6                |
| Corporate Securities:.....                             |                    |               |                                |               |                    |
| U.S. Corporate .....                                   | 20,855.1           | 59.9%         | 22,781.7                       | 60.4%         | 1,926.6            |
| Foreign Corporate .....                                | 6,646.2            | 19.1%         | 7,129.5                        | 18.9%         | 483.3              |
| Residential Mortgage-Backed Securities:.....           |                    |               |                                |               |                    |
| Government Agency .....                                | 786.8              | 2.3%          | 816.8                          | 2.2%          | 30.0               |
| Non Agency RMBS .....                                  | 398.7              | 1.1%          | 397.6                          | 1.1%          | (1.1)              |
| CMBS .....                                             | 1,597.7            | 4.6%          | 1,653.1                        | 4.4%          | 55.4               |
| Asset-Backed Securities .....                          | 614.5              | 1.8%          | 621.6                          | 1.6%          | 7.2                |
| Collateralized Loan Obligations .....                  | 145.8              | 0.4%          | 145.3                          | 0.4%          | (0.4)              |
| <b>Total .....</b>                                     | <b>\$ 34,802.3</b> | <b>100.0%</b> | <b>\$ 37,748.8</b>             | <b>100.0%</b> | <b>\$ 2,946.6</b>  |

| December 31, 2015                                      |                    |               |                                |               |                    |
|--------------------------------------------------------|--------------------|---------------|--------------------------------|---------------|--------------------|
|                                                        | Carrying Value     | % of Total    | Fair Value<br>(\$ in Millions) | % of Total    | Gains/<br>(Losses) |
| U.S. Treasury securities .....                         | \$ 1,638.5         | 5.2%          | \$ 1,638.6                     | 5.1%          | \$ 0.2             |
| U.S. Government Agencies .....                         | 4.8                | 0.0%          | 4.7                            | 0.0%          | 0.0                |
| Obligations of States and Political Subdivisions ..... | 2,148.7            | 6.8%          | 2,413.6                        | 7.5%          | 264.9              |
| Debt Securities Issued by Foreign Governments .....    | 305.9              | 1.0%          | 290.9                          | 0.9%          | (14.9)             |
| Corporate Securities:.....                             |                    |               |                                |               |                    |
| U.S. Corporate .....                                   | 18,258.5           | 57.6%         | 18,614.2                       | 57.5%         | 355.7              |
| Foreign Corporate .....                                | 6,937.4            | 21.9%         | 6,985.0                        | 21.6%         | 47.6               |
| Residential Mortgage-Backed Securities:...             |                    |               |                                |               |                    |
| Government Agency .....                                | 663.9              | 2.1%          | 677.2                          | 2.1%          | 13.3               |
| Non Agency RMBS .....                                  | 548.6              | 1.7%          | 544.0                          | 1.7%          | (4.6)              |
| CMBS .....                                             | 1,155.6            | 3.6%          | 1,158.0                        | 3.6%          | 2.5                |
| Asset-Backed Securities .....                          | 54.2               | 0.2%          | 54.8                           | 0.2%          | 0.5                |
| Collateralized Loan Obligations .....                  | —                  | 0.0%          | —                              | 0.0%          | —                  |
| <b>Total .....</b>                                     | <b>\$ 31,715.9</b> | <b>100.0%</b> | <b>\$ 32,381.1</b>             | <b>100.0%</b> | <b>\$ 665.1</b>    |

| December 31, 2014                                      |                    |               |                                |               |                    |
|--------------------------------------------------------|--------------------|---------------|--------------------------------|---------------|--------------------|
|                                                        | Carrying Value     | % of Total    | Fair Value<br>(\$ in Millions) | % of Total    | Gains/<br>(Losses) |
| U.S. Treasury securities .....                         | \$ 1,297.1         | 4.4%          | \$ 1,345.9                     | 4.2%          | \$ 48.7            |
| U.S. Government Agencies .....                         | 6.5                | 0.0%          | 6.5                            | 0.0%          | 0.0                |
| Obligations of States and Political Subdivisions ..... | 2,139.4            | 7.2%          | 2,486.2                        | 7.7%          | 346.8              |
| Debt Securities Issued by Foreign Governments .....    | 536.8              | 1.8%          | 567.4                          | 1.8%          | 30.6               |
| Corporate Securities:.....                             |                    |               |                                |               |                    |
| U.S. Corporate .....                                   | 16,192.1           | 54.6%         | 17,782.5                       | 55.3%         | 1,590.4            |
| Foreign Corporate .....                                | 7,438.6            | 25.1%         | 7,891.7                        | 24.5%         | 453.0              |
| Residential Mortgage-Backed Securities:...             |                    |               |                                |               |                    |
| Government Agency .....                                | 576.1              | 1.9%          | 599.3                          | 1.9%          | 23.1               |
| Non Agency RMBS .....                                  | 465.2              | 1.6%          | 468.6                          | 1.5%          | 3.4                |
| CMBS .....                                             | 962.0              | 3.2%          | 991.9                          | 3.1%          | 29.9               |
| Asset-Backed Securities .....                          | 38.8               | 0.1%          | 40.0                           | 0.1%          | 1.1                |
| Collateralized Loan Obligations .....                  | —                  | 0.0%          | —                              | 0.0%          | —                  |
| <b>Total .....</b>                                     | <b>\$ 29,652.9</b> | <b>100.0%</b> | <b>\$ 32,179.9</b>             | <b>100.0%</b> | <b>\$ 2,527.1</b>  |

| December 31, 2013              |                |            |                                |            |                    |
|--------------------------------|----------------|------------|--------------------------------|------------|--------------------|
|                                | Carrying Value | % of Total | Fair Value<br>(\$ in Millions) | % of Total | Gains/<br>(Losses) |
| U.S. Treasury securities ..... | \$ 1,417.3     | 5.2%       | \$ 1,365.7                     | 4.8%       | \$ (51.6)          |
| U.S. Government Agencies ..... | 21.0           | 0.1%       | 21.2                           | 0.1%       | 0.2                |

| December 31, 2013                                      |                    |               |                                |               |                    |
|--------------------------------------------------------|--------------------|---------------|--------------------------------|---------------|--------------------|
|                                                        | Carrying Value     | % of Total    | Fair Value<br>(\$ in Millions) | % of Total    | Gains/<br>(Losses) |
| Obligations of States and Political Subdivisions ..... | 2,176.2            | 7.9%          | 2,294.9                        | 8.0%          | 118.7              |
| Debt Securities Issued by Foreign Governments .....    | 859.9              | 3.1%          | 868.2                          | 3.0%          | 8.3                |
| Corporate Securities:.....                             |                    |               |                                |               |                    |
| U.S. Corporate.....                                    | 14,346.4           | 52.4%         | 15,308.0                       | 53.3%         | 961.6              |
| Foreign Corporate.....                                 | 6,159.6            | 22.5%         | 6,440.4                        | 22.4%         | 280.8              |
| Residential Mortgage-Backed Securities:...             |                    |               |                                |               |                    |
| Government Agency.....                                 | 766.7              | 2.8%          | 764.3                          | 2.7%          | (2.5)              |
| Non Agency RMBS.....                                   | 631.5              | 2.3%          | 640.6                          | 2.2%          | 9.0                |
| CMBS.....                                              | 976.7              | 3.6%          | 991.1                          | 3.5%          | 14.4               |
| Asset-Backed Securities.....                           | 24.4               | 0.1%          | 25.9                           | 0.1%          | 1.5                |
| Collateralized Loan Obligations.....                   | —                  | 0.0%          | —                              | 0.0%          | —                  |
| <b>Total.....</b>                                      | <b>\$ 27,379.9</b> | <b>100.0%</b> | <b>\$ 28,720.4</b>             | <b>100.0%</b> | <b>\$ 1,340.5</b>  |

Guardian's corporate credit portfolio is well diversified. Guardian has aggregate per issuer limits to attempt to limit the maximum exposure to an issuer to a set percentage of the securities portfolio. This reduces the impact of default risk or of a single issuer having a material negative impact on the portfolio.

### Mortgage-Backed and Other Asset-Backed Securities (Structured Securities)

Asset Backed, Commercial Mortgage Backed and Residential Mortgage Backed Securities (Structured Securities) of \$3.5 billion consist mainly (89.4% as of September 30, 2016) of Agency and Non-Agency RMBS as well as CMBS of generally high quality, which are supported by well diversified collateral. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Analysis of Results of Operations—For the Nine Months Ended September 30, 2016 and 2015—Net Realized Capital Gains After Tax and Transfers to IMR" for additional information regarding RMBS held in Guardian's investment portfolio. Guardian believes that its \$1.6 billion CMBS portfolio as of September 30, 2016 is well diversified by property type and geography and is primarily invested at the top of the capital structure (70% is Senior and 19% AM classes as of September 30, 2016) with well-managed credit quality and vintage positioning (22% invested in new 2016 vintage loans due to improved underwriting this year, underweight 2014 and 2015 vintages with 24% combined, and an underweight in Agency CMBS of 17%) with adequate credit enhancement averaging 30%.

Asset Backed, Commercial Mortgage Backed and Residential Mortgage Backed Securities (Structured Securities) of \$2.4 billion consist mainly (97.8% as of December 31, 2015) of Agency and Non-Agency RMBS as well as CMBS of generally high quality, which are supported by well diversified collateral. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Analysis of Results of Operations—For the Years Ended December 31, 2015, 2014 and 2013—Net Realized Capital Gains After Tax and Transfers to IMR" for additional information regarding RMBS held in Guardian's investment portfolio. As of December 31, 2015, Guardian had no direct subprime exposure through the origination of residential mortgage loans or purchases of unsecuritized whole-loan pools. As of December 31, 2015 and December 31, 2014, Guardian had Agency mortgage backed exposure with a carrying value of \$664 million and \$744 million, respectively, which were agency (Fannie Mae or Freddie Mac) guaranteed.

The following tables show the types of mortgage-backed and asset-backed securities held at September 30, 2016 and as of December 31, 2015, 2014 and 2013.

| September 30, 2016                          |                   |               |                   |               |                    |                                 |                |               |                |                |                |                   |
|---------------------------------------------|-------------------|---------------|-------------------|---------------|--------------------|---------------------------------|----------------|---------------|----------------|----------------|----------------|-------------------|
|                                             | Carrying Value    | % of Total    | Fair Value        | % of Total    | Gains/<br>(Losses) | NAIC 1                          | NAIC 2         | NAIC 3        | NAIC 4         | NAIC 5         | NAIC 6         | Total             |
|                                             | (\$ in Millions)  |               |                   |               |                    | Carrying Value (\$ in Millions) |                |               |                |                |                |                   |
| Residential Mortgage-Backed Securities:     |                   |               |                   |               |                    |                                 |                |               |                |                |                |                   |
| Government Agency.....                      | \$ 786.8          | 22.2%         | \$ 816.8          | 22.5%         | \$ 30.0            | \$ 786.8                        | \$ —           | \$ —          | \$ —           | \$ —           | \$ —           | \$ 786.8          |
| Non-Agency RMBS .....                       | 398.7             | 11.3%         | 397.6             | 10.9%         | (1.1)              | 364.3                           | 6.4            | 2.9           | 8.9            | —              | 16.2           | 398.7             |
| CMBS.....                                   | 1,597.7           | 45.1%         | 1,653.1           | 45.5%         | 55.4               | 1,597.7                         | —              | —             | —              | —              | —              | 1,597.7           |
| Asset Backed Securities (ABS).....          | 614.5             | 17.3%         | 621.6             | 17.1%         | 7.1                | 519.3                           | 44.3           | —             | 9.4            | 22.9           | 18.6           | 614.5             |
| Collateralized Loan Obligations (CLO) ..... | 145.8             | 4.1%          | 145.3             | 4.0%          | (0.5)              | 145.8                           | —              | —             | —              | —              | —              | 145.8             |
| <b>Total.....</b>                           | <b>\$ 3,543.5</b> | <b>100.0%</b> | <b>\$ 3,634.4</b> | <b>100.0%</b> | <b>\$ 90.9</b>     | <b>\$ 3,413.9</b>               | <b>\$ 50.7</b> | <b>\$ 2.9</b> | <b>\$ 18.3</b> | <b>\$ 22.9</b> | <b>\$ 34.8</b> | <b>\$ 3,543.5</b> |

| December 31, 2015                       |                   |               |                   |               |                 |                                 |                 |                |               |             |             |                   |
|-----------------------------------------|-------------------|---------------|-------------------|---------------|-----------------|---------------------------------|-----------------|----------------|---------------|-------------|-------------|-------------------|
|                                         | Carrying Value    | % of Total    | Fair Value        | % of Total    | Gains/ (Losses) | NAIC 1                          | NAIC 2          | NAIC 3         | NAIC 4        | NAIC 5      | NAIC 6      | Total             |
|                                         | (\$ in Millions)  |               |                   |               |                 | Carrying Value (\$ in Millions) |                 |                |               |             |             |                   |
| Residential Mortgage-Backed Securities: |                   |               |                   |               |                 |                                 |                 |                |               |             |             |                   |
| Government Agency.....                  | \$ 663.9          | 27.4%         | \$ 677.2          | 27.8%         | \$ 13.3         | \$ 663.9                        | \$ —            | \$ —           | \$ —          | \$ —        | \$ —        | \$ 663.9          |
| Non-Agency RMBS .....                   | 548.6             | 22.7%         | 544.0             | 22.4%         | (4.6)           | 531.1                           | 5.0             | 3.7            | 8.8           | —           | —           | 548.6             |
| CMBS.....                               | 1,155.6           | 47.7%         | 1,158.0           | 47.6%         | 2.4             | 1,155.6                         | —               | —              | —             | —           | —           | 1,155.6           |
| Asset Backed Securities (ABS) .....     | 54.2              | 2.2%          | 54.8              | 2.2%          | 0.6             | 19.5                            | 34.7            | —              | —             | —           | —           | 54.2              |
| <b>Total.....</b>                       | <b>\$ 2,422.3</b> | <b>100.0%</b> | <b>\$ 2,434.0</b> | <b>100.0%</b> | <b>\$ 11.7</b>  | <b>\$2,370.1</b>                | <b>\$ 39.7</b>  | <b>\$ 3.7</b>  | <b>\$ 8.8</b> | <b>\$ —</b> | <b>\$ —</b> | <b>\$ 2,422.3</b> |
| December 31, 2014                       |                   |               |                   |               |                 |                                 |                 |                |               |             |             |                   |
|                                         | Carrying Value    | % of Total    | Fair Value        | % of Total    | Gains/ (Losses) | NAIC 1                          | NAIC 2          | NAIC 3         | NAIC 4        | NAIC 5      | NAIC 6      | Total             |
|                                         | (\$ in Millions)  |               |                   |               |                 | Carrying Value (\$ in Millions) |                 |                |               |             |             |                   |
| Residential Mortgage-Backed Securities: |                   |               |                   |               |                 |                                 |                 |                |               |             |             |                   |
| Government Agency.....                  | \$ 576.1          | 28.2%         | \$ 599.3          | 28.6%         | \$ 23.2         | \$ 576.1                        | \$ —            | \$ —           | \$ —          | \$ —        | \$ —        | \$ 576.1          |
| Non-Agency RMBS .....                   | 465.2             | 22.8%         | 468.6             | 22.3%         | 3.4             | 419.4                           | 34.5            | 11.3           | —             | —           | —           | 465.2             |
| CMBS.....                               | 962.0             | 47.1%         | 991.9             | 47.2%         | 29.9            | 962.0                           | —               | —              | —             | —           | —           | 962.0             |
| Asset Backed Securities (ABS) .....     | 38.8              | 1.9%          | 40.0              | 1.9%          | 1.2             | 19.5                            | 19.3            | —              | —             | —           | —           | 38.8              |
| <b>Total.....</b>                       | <b>\$ 2,042.1</b> | <b>100.0%</b> | <b>\$ 2,099.8</b> | <b>100.0%</b> | <b>\$ 57.7</b>  | <b>\$1,977.0</b>                | <b>\$ 53.8</b>  | <b>\$ 11.3</b> | <b>\$ —</b>   | <b>\$ —</b> | <b>\$ —</b> | <b>\$ 2,042.1</b> |
| December 31, 2013                       |                   |               |                   |               |                 |                                 |                 |                |               |             |             |                   |
|                                         | Carrying Value    | % of Total    | Fair Value        | % of Total    | Gains/ (Losses) | NAIC 1                          | NAIC 2          | NAIC 3         | NAIC 4        | NAIC 5      | NAIC 6      | Total             |
|                                         | (\$ in Millions)  |               |                   |               |                 | Carrying Value (\$ in Millions) |                 |                |               |             |             |                   |
| Residential Mortgage-Backed Securities: |                   |               |                   |               |                 |                                 |                 |                |               |             |             |                   |
| Government Agency.....                  | \$ 766.7          | 32.0%         | \$ 764.3          | 31.6%         | \$ (2.5)        | \$ 766.7                        | \$ —            | \$ —           | \$ —          | \$ —        | \$ —        | \$ 766.7          |
| Non-Agency RMBS .....                   | 631.5             | 26.3%         | 640.6             | 26.4%         | 9.1             | 542.5                           | 89.0            | —              | —             | —           | —           | 631.5             |
| CMBS.....                               | 976.7             | 40.7%         | 991.1             | 40.9%         | 14.4            | 976.7                           | —               | —              | —             | —           | —           | 976.7             |
| Asset Backed Securities (ABS) .....     | 24.4              | 1.0%          | 25.9              | 1.1%          | 1.5             | 3.9                             | 14.2            | 6.4            | —             | —           | —           | 24.4              |
| <b>Total.....</b>                       | <b>\$ 2,399.4</b> | <b>100.0%</b> | <b>\$ 2,421.9</b> | <b>100.0%</b> | <b>\$ 22.5</b>  | <b>\$2,289.8</b>                | <b>\$ 103.2</b> | <b>\$ 6.4</b>  | <b>\$ —</b>   | <b>\$ —</b> | <b>\$ —</b> | <b>\$ 2,399.4</b> |

### ***Bond Portfolio Surveillance and Under-Performing Investments***

Generally, bonds are valued at amortized cost using the constant yield interest method. Bond transactions are recorded on a trade date basis, except for private placement bonds which are recorded on the funding date.

The fair value of bonds is based on values provided by the NAIC's SVO when available. If SVO values are not available, quoted market values provided by other third-party organizations are used. If quoted market values are unavailable, fair value is estimated by discounting expected future cash flows using current market rates applicable to yield, credit quality, and maturity of the investment or using quoted market values for comparable investments.

Guardian actively manages portfolio risks and provides a daily mark-to-market valuation for all of its public securities. Daily total rates of return are calculated on this actively managed portfolio and a performance attribution review is performed on a quarterly basis. Credit risk analysis is ongoing.

To identify underperforming investments, Guardian conducts a semi-annual management review of all bonds including those in default, not-in-good standing, or valued below 80% of cost. In addition, a credit report is provided quarterly with other investment related materials and reviewed with the Investment Committee of the Board. Guardian considers the following factors in the evaluation of whether a non-interest related decline in value is other-than-temporary: (a) the financial condition and near-term prospects of the issuer; (b) the likelihood that Guardian will be able to collect all amounts due according to the contractual terms of a debt security in effect at the date of acquisition; (c) its ability and intent to hold the investment for a period of time sufficient to allow for an anticipated recovery in value and (d) the period and degree to which the market value has been below cost. Guardian considers the following factors in the evaluation of whether an interest related decline in value is other-than-temporary: (a) its near-term intent to sell; (b) its contractual and regulatory obligations and (c) its ability to hold the investment until anticipated recovery of the cost of the investment.

Additionally, Guardian considers qualitative and quantitative factors such as material declines in issuer revenues or margins, significant uncertainty regarding the issuer's industry, debt service coverage or cash flow ratios that fall below industry-specific thresholds, violation of financial covenants, trading of public securities at a substantial discount due to specific credit concerns, and other subjective factors that relate to the issuer.

Guardian actively reviews the bond portfolio to estimate the likelihood and amount of financial defaults or write-downs in the portfolio and to make timely decisions as to the potential sale or renegotiation of terms of specific investments.

Guardian employs a systematic methodology to evaluate declines in fair value below book value. The methodology to evaluate declines in fair value utilizes a quantitative and qualitative process ensuring that available evidence concerning the declines is evaluated in a disciplined manner. The book values of investments are written down to fair value when a decline in value is considered to be other-than-temporary. See “—Impairments.”

### ***Common Stocks***

Guardian’s common stocks include investments in public equities, mutual funds, and the net equity in unconsolidated subsidiaries and affiliates. Investments in insurance subsidiaries are stated at underlying statutory surplus adjusted for unamortized goodwill.

The table below details the carrying value of common stocks of Guardian’s unaffiliated and affiliated companies as of the dates indicated:

|                                                   | <b>As of<br/>September 30,<br/>2016</b> | <b>As of December 31,</b> |                 |                 |
|---------------------------------------------------|-----------------------------------------|---------------------------|-----------------|-----------------|
|                                                   |                                         | <b>2015</b>               | <b>2014</b>     | <b>2013</b>     |
|                                                   |                                         | <b>(\$ in Millions)</b>   |                 |                 |
| Common Stocks – Unaffiliated <sup>(1)</sup> ..... | \$ 463                                  | \$ 490                    | \$ 524          | \$ 559          |
| Investment in Affiliates:                         |                                         |                           |                 |                 |
| BLICOA .....                                      | \$ 222                                  | \$ 208                    | \$ 269          | \$ 583          |
| GIAC .....                                        | 185                                     | 260                       | 227             | 181             |
| Park Avenue Life Insurance Company .....          | 61                                      | 50                        | 76              | 68              |
| Other Affiliated Companies .....                  | 662                                     | 448                       | 434             | 184             |
| <b>Total Investment in Affiliates: .....</b>      | <b>\$ 1,130</b>                         | <b>\$ 966</b>             | <b>\$ 1,006</b> | <b>\$ 1,016</b> |

(1) See “—Statement of Financial Position—Assets” for a discussion of the change in common stocks during 2015 as compared to 2014 and 2013.

### ***Mortgage Loans***

Mortgage loans represented 7.4% of the total investments in the general account as of September 30, 2016. Mortgage loans represented 7.9% of the total investments in the general account as of December 31, 2015, 7.5% as of December 31, 2014 and 7.5% as of December 31, 2013. Mortgage loans consist of whole loans on commercial real estate.

### ***Commercial Mortgage Loans***

Guardian’s commercial mortgage loan portfolio, which includes mezzanine loans, consisted of fixed rate loans on completed, income-producing properties.

As of September 30, 2016, 95% of the commercial mortgage loan portfolio consisted of bullet loans. As of December 31, 2015, 2014 and 2013, 96%, 95% and 95%, respectively, of the commercial mortgage loan portfolio consisted of bullet loans. Bullet loans are loans that do not fully amortize over their term.

Guardian had 34 bullet loans totaling \$197 million scheduled to mature during 2016. As of September 30, 2016, 26 loans were paid in full for \$149 million, 3 loans were extended for \$26 million and 3 loans for \$7 million were scheduled and did repay at par in the fourth quarter of 2016. 2 loans for \$15 million, or 8%, were rolled over voluntarily. Past experience with regard to bullet maturities, however, is not necessarily indicative of future results. Guardian had 1 loan with a principal balance of \$23 million with a \$5 million valuation allowance as of September 30, 2016 and December 31, 2015, 2014 and 2013.

The maturities of Guardian's commercial mortgage loans are well-diversified as per the table below, and Guardian carefully monitors and manages them in light of its liquidity position.

The following table sets forth the commercial mortgage loan portfolio by maturity:

### Commercial Loans by Maturity

| Year of Maturity  | As of September 30, 2016        |                 |             |
|-------------------|---------------------------------|-----------------|-------------|
|                   | Carrying Value (\$ in millions) | Number of Loans | Percent     |
| 2016.....         | \$ 32.9                         | 6               | 1.0%        |
| 2017.....         | 338.7                           | 33              | 9.9%        |
| 2018.....         | 352.5                           | 47              | 10.3%       |
| 2019.....         | 99.3                            | 16              | 2.9%        |
| 2020.....         | 257.2                           | 19              | 7.5%        |
| 2021.....         | 330.6                           | 30              | 9.7%        |
| 2022.....         | 348.9                           | 20              | 10.2%       |
| 2023.....         | 242.2                           | 15              | 7.1%        |
| 2024.....         | 281.8                           | 18              | 8.2%        |
| 2025.....         | 572.2                           | 30              | 16.7%       |
| 2026.....         | 318.6                           | 23              | 9.3%        |
| 2027.....         | 3.5                             | 1               | 0.1%        |
| 2028.....         | 35.5                            | 1               | 1.0%        |
| 2029.....         | 22.0                            | 1               | 0.6%        |
| 2031.....         | 130.3                           | 8               | 3.8%        |
| 2034.....         | 47.9                            | 1               | 1.4%        |
| 2036.....         | 9.7                             | 1               | 0.3%        |
| <b>Total.....</b> | <u>\$ 3,423.8</u>               | <u>270</u>      | <u>100%</u> |

| Year of Maturity  | As of December 31, 2015         |                 |             |
|-------------------|---------------------------------|-----------------|-------------|
|                   | Carrying Value (\$ in millions) | Number of Loans | Percent     |
| 2016.....         | \$ 199.9                        | 34              | 5.9%        |
| 2017.....         | 490.9                           | 48              | 14.5%       |
| 2018.....         | 363.3                           | 49              | 10.7%       |
| 2019.....         | 103.1                           | 17              | 3.0%        |
| 2020.....         | 262.2                           | 20              | 7.7%        |
| 2021.....         | 250.5                           | 29              | 7.4%        |
| 2022.....         | 354.7                           | 20              | 10.5%       |
| 2023.....         | 255.6                           | 15              | 7.5%        |
| 2024.....         | 284.9                           | 18              | 8.4%        |
| 2025.....         | 575.3                           | 31              | 17.0%       |
| 2026.....         | 143.1                           | 14              | 4.2%        |
| 2027.....         | 3.7                             | 1               | 0.1%        |
| 2028.....         | 36.0                            | 1               | 1.1%        |
| 2029.....         | 22.5                            | 1               | 0.7%        |
| 2030.....         | 42.4                            | 2               | 1.3%        |
| <b>Total.....</b> | <u>\$ 3,387.9</u>               | <u>300</u>      | <u>100%</u> |

The following tables set forth the commercial mortgage loan portfolio by property type and geographic distribution:

### Commercial Loans by Property Type

|                         | September 30,     |               | December 31,      |               |                   |               |                   |               |
|-------------------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|-------------------|---------------|
|                         | 2016              |               | 2015              |               | 2014              |               | 2013              |               |
|                         | Carrying Value    | % of Total    | Carrying Value    | % of Total    | Carrying Value    | % of Total    | Carrying Value    | % of Total    |
|                         | (\$ in Millions)  |               |                   |               |                   |               |                   |               |
| Office.....             | \$ 640.1          | 18.7%         | \$ 793.2          | 23.4%         | \$ 952.5          | 31.3%         | \$ 1,055.4        | 37.2%         |
| Apartments.....         | 1,433.4           | 41.9%         | 1,313.2           | 38.8%         | 930.7             | 30.6%         | 651.0             | 22.9%         |
| Industrial & other..... | 381.3             | 11.1%         | 410.8             | 12.1%         | 400.8             | 13.2%         | 319.6             | 11.3%         |
| Retail.....             | 845.3             | 24.7%         | 796.3             | 23.5%         | 762.2             | 25.0%         | 716.3             | 25.2%         |
| Hotels.....             | 123.7             | 3.6%          | 74.5              | 2.2%          | —                 | 0.0%          | 95.9              | 3.4%          |
| <b>Total.....</b>       | <b>\$ 3,423.8</b> | <b>100.0%</b> | <b>\$ 3,387.9</b> | <b>100.0%</b> | <b>\$ 3,046.3</b> | <b>100.0%</b> | <b>\$ 2,838.2</b> | <b>100.0%</b> |

### Commercial Loans by Geographic Distribution

|                                         | September 30,    |               | December 31,     |               |                  |               |                  |               |
|-----------------------------------------|------------------|---------------|------------------|---------------|------------------|---------------|------------------|---------------|
|                                         | 2016             |               | 2015             |               | 2014             |               | 2013             |               |
|                                         | Carrying Value   | % of Total    | Carrying Value   | % of Total    | Carrying Value   | % of Total    | Carrying Value   | % of Total    |
|                                         | (\$ in Millions) |               |                  |               |                  |               |                  |               |
| New England <sup>(1)</sup> .....        | \$ 188.9         | 5.5%          | \$ 256.4         | 7.6%          | \$ 168.0         | 5.5%          | \$ 186.3         | 6.6%          |
| Mid Atlantic <sup>(2)</sup> .....       | 546.8            | 16.0%         | 530.5            | 15.7%         | 488.8            | 16.0%         | 513.6            | 18.1%         |
| South Atlantic <sup>(3)</sup> .....     | 894.1            | 26.1%         | 855.7            | 25.3%         | 830.6            | 27.3%         | 811.3            | 28.6%         |
| East North Central <sup>(4)</sup> ..... | 124.1            | 3.6%          | 168.6            | 5.0%          | 206.3            | 6.8%          | 233.4            | 8.2%          |
| East South Central <sup>(5)</sup> ..... | 55.9             | 1.7%          | 17.2             | 0.5%          | 19.2             | 0.6%          | 10.0             | 0.4%          |
| West North Central <sup>(6)</sup> ..... | 10.5             | 0.3%          | 11.3             | 0.3%          | 52.7             | 1.7%          | 53.9             | 1.9%          |
| West South Central <sup>(7)</sup> ..... | 202.6            | 5.9%          | 206.1            | 6.1%          | 161.7            | 5.3%          | 92.6             | 3.3%          |
| Mountain <sup>(8)</sup> .....           | 137.8            | 4.0%          | 157.7            | 4.7%          | 157.5            | 5.2%          | 149.7            | 5.3%          |
| Pacific <sup>(9)</sup> .....            | 1,263.1          | 36.9%         | 1,184.5          | 35.0%         | 961.5            | 31.6%         | 787.4            | 27.7%         |
| <b>Total.....</b>                       | <b>\$3,423.8</b> | <b>100.0%</b> | <b>\$3,387.9</b> | <b>100.0%</b> | <b>\$3,046.3</b> | <b>100.0%</b> | <b>\$2,838.2</b> | <b>100.0%</b> |

- (1) New England states are CT, MA, ME, NH, RI and VT.  
(2) Mid-Atlantic states are PA, NJ and NY.  
(3) South Atlantic states are DE, DC, FL, GA, MD, NC, SC, VA and WV.  
(4) East North Central states are IL, IN, MI, OH and WI.  
(5) East South Central states are AL, KY, MS and TN.  
(6) West North Central states are IA, KS, MN, MO, NE, ND and SD.  
(7) West South Central states are AR, LA, OK and TX.  
(8) Mountain Region states are AZ, CO, ID, MT, NV, NM, UT and WY.  
(9) Pacific Region states are AK, CA, HI, OR and WA.

Guardian's commercial mortgage whole loan exposure to Nevada (\$43 million), Arizona (\$21 million), Florida (\$214 million) and California (\$1,121 million) totaled \$1.4 billion. This represents 40.8% of the total commercial mortgage whole loan portfolio and this aggregation has an average loan-to-value ("LTV") of 51% as compared to 50% for the entire commercial mortgage whole loan portfolio. These loans are performing well with no delinquencies.

The following tables set forth the commercial loan portfolio by LTV range, year of origination and delinquency rate:

### Commercial Mortgage Loans by LTV Range<sup>(1)</sup>

|                        | As of September 30, 2016 |                 |                     |                      |
|------------------------|--------------------------|-----------------|---------------------|----------------------|
|                        | Carrying Value           | Number of Loans | Average Loan Amount | Percent of Portfolio |
| 50% LTV or below ..... | \$ 1,056.7               | 127             | \$ 8.3              | 30.9%                |

| As of September 30, 2016   |                   |                 |                     |                      |
|----------------------------|-------------------|-----------------|---------------------|----------------------|
|                            | Carrying Value    | Number of Loans | Average Loan Amount | Percent of Portfolio |
| 51%–60% LTV .....          | 953.1             | 58              | 16.4                | 27.8%                |
| 61%–70% LTV .....          | 1,053.8           | 56              | 18.8                | 30.8%                |
| 71%–75% LTV .....          | 186.0             | 11              | 16.9                | 5.4%                 |
| 75%–80% LTV .....          | 110.0             | 9               | 12.2                | 3.2%                 |
| Greater than 80% LTV ..... | 64.2              | 9               | 7.1                 | 1.9%                 |
| <b>Total .....</b>         | <b>\$ 3,423.8</b> | <b>270</b>      | <b>\$ 12.7</b>      | <b>100.0%</b>        |

| As of December 31, 2015    |                   |                 |                     |                      |
|----------------------------|-------------------|-----------------|---------------------|----------------------|
|                            | Carrying Value    | Number of Loans | Average Loan Amount | Percent of Portfolio |
| 50% LTV or below .....     | \$ 885.5          | 139             | \$ 6.4              | 26.1%                |
| 51%–60% LTV .....          | 1,061.6           | 61              | 17.4                | 31.3%                |
| 61%–70% LTV .....          | 1,056.6           | 65              | 16.3                | 31.2%                |
| 71%–75% LTV .....          | 196.4             | 14              | 14.0                | 5.8%                 |
| 75%–80% LTV .....          | 126.5             | 12              | 10.5                | 3.7%                 |
| Greater than 80% LTV ..... | 61.4              | 9               | 6.8                 | 1.8%                 |
| <b>Total .....</b>         | <b>\$ 3,387.9</b> | <b>300</b>      | <b>\$ 11.3</b>      | <b>100.0%</b>        |

- (1) The LTV represents the year end 2015 loan balance divided by the value of the property utilizing the most recent property financial statements. The value of the property is based on the 2014 year end property net operating income divided by a market capitalization rate. 2015 financial information for such properties is not generally available until the second or third quarter of 2016.

The following tables set forth the carrying value of the commercial loan portfolio by property type and vintage:

### Carrying Value of Commercial Mortgage Loans

|                    | As of September 30, 2016 |                |                |                 |                 |                 |                 |                 |                 |                  |
|--------------------|--------------------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
|                    | 2008 &<br>Prior          | 2009           | 2010           | 2011            | 2012            | 2013            | 2014            | 2015            | 2016            | Total            |
|                    | (\$ in Millions)         |                |                |                 |                 |                 |                 |                 |                 |                  |
| Office .....       | \$ 371.0                 | \$ 66.8        | \$ 36.9        | \$ 4.7          | \$ 34.7         | \$ 3.6          | \$ -            | \$ 115.9        | \$ 6.5          | \$ 640.1         |
| Apartments.....    | 82.7                     | -              | 31.8           | 106.1           | 160.9           | 213.3           | 219.8           | 373.5           | 245.3           | 1,433.4          |
| Industrial .....   | 116.3                    | 3.8            | -              | 6.9             | 5.1             | 7.9             | 61.0            | -               | -               | 201.0            |
| Retail.....        | 370.7                    | -              | -              | 27.4            | 74.0            | 11.2            | 93.0            | 139.5           | 129.5           | 845.3            |
| Hotels.....        | -                        | -              | -              | -               | -               | -               | -               | 74.2            | 49.5            | 123.7            |
| Other .....        | 3.5                      | 25.1           | -              | -               | 27.9            | 1.7             | 30.0            | 87.0            | 5.1             | 180.3            |
| <b>Total .....</b> | <b>\$ 944.2</b>          | <b>\$ 95.7</b> | <b>\$ 68.7</b> | <b>\$ 145.1</b> | <b>\$ 302.6</b> | <b>\$ 237.7</b> | <b>\$ 403.8</b> | <b>\$ 790.1</b> | <b>\$ 435.9</b> | <b>\$3,423.8</b> |

|                    | As of December 31, 2015 |                 |                |                |                 |                 |                 |                 |                 |                  |
|--------------------|-------------------------|-----------------|----------------|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
|                    | 2007 &<br>Prior         | 2008            | 2009           | 2010           | 2011            | 2012            | 2013            | 2014            | 2015            | Total            |
|                    | (\$ in Millions)        |                 |                |                |                 |                 |                 |                 |                 |                  |
| Office .....       | \$ 363.2                | \$ 128.7        | \$ 67.7        | \$ 50.3        | \$ 4.9          | \$ 35.1         | \$ 3.7          | \$ 22.3         | \$ 117.2        | \$ 793.2         |
| Apartments .....   | 133.3                   | 33.2            | -              | 32.3           | 110.7           | 162.7           | 245.9           | 220.8           | 374.3           | 1,313.2          |
| Industrial .....   | 98.4                    | 37.0            | 4.0            | -              | 7.2             | 5.6             | 8.1             | 61.8            | -               | 222.0            |
| Retail .....       | 290.5                   | 156.3           | -              | -              | 27.9            | 75.3            | 11.4            | 94.3            | 140.5           | 796.3            |
| Hotels .....       | -                       | -               | -              | -              | -               | -               | -               | -               | 74.5            | 74.5             |
| Other .....        | 12.9                    | 3.3             | 25.5           | -              | -               | 28.3            | 1.7             | 30.0            | 87.2            | 188.8            |
| <b>Total .....</b> | <b>\$ 898.3</b>         | <b>\$ 358.4</b> | <b>\$ 97.2</b> | <b>\$ 82.6</b> | <b>\$ 150.7</b> | <b>\$ 307.1</b> | <b>\$ 270.8</b> | <b>\$ 429.2</b> | <b>\$ 793.7</b> | <b>\$3,387.9</b> |

### **Residential Mortgage Loans**

Guardian does not currently originate residential mortgages.

### **Mortgage Loan Portfolio Surveillance and Under-Performing Investments**

Guardian actively monitors, manages, and directly services its commercial mortgage loan portfolio. Guardian performs or reviews all aspects of loan origination and portfolio management, including lease analysis, property transfer analysis, economic and financial reviews, tenant analysis, and management of default and bankruptcy proceedings.

Guardian's \$3.4 billion commercial mortgage loan portfolio is well-diversified geographically and by property type. Guardian's underwriting seeks to effectively protect the company from cyclical market challenges. The portfolio's current delinquency rate is 0%. Guardian utilized what it considers to be conservative underwriting and valuation standards in originating loans and anticipates that the portfolio should continue to perform well relative to the industry. In monitoring and evaluating the portfolio, Guardian has used models and stress tests, including a severe early-90's real estate recession scenario, using a proprietary model developed by Guardian, Rosen Consulting Group and Foresight Analytics, a provider of real estate market consulting services focusing on real estate market analysis and forecasting. Guardian recently stress tested the individual loan values in the \$3.4 billion commercial mortgage whole loan portfolio by employing increased vacancy rates and higher capitalization rates reflective of deteriorating market conditions. Even under these stress tests, the majority of the assets that secure Guardian's mortgages continue to support the debt service, with a minimal amount of projected loss. However, given the inherent limitations and underlying assumptions of quantitative modeling, there can be no assurances of Guardian's ability to maintain sufficient liquidity under actual liquidity needs.

Guardian revalues underperforming properties each year and reinspects these properties at least every other year based on internal quality ratings. The criteria used to determine whether a current or potential problem exists includes borrower bankruptcies, major tenant bankruptcies, requests for restructuring, delinquent tax payments, late payments, loan-to-value or debt service coverage deficiencies, and overall vacancy levels.

There were no current or potential problem mortgage loans consisting of restructured mortgage loans as of September 30, 2016 and as of December 31, 2015, 2014 and 2013. There were no commercial mortgage loans in process of foreclosure or in default as of December 31, 2015, 2014 and 2013. The AVR contains a mortgage loan component, which totaled \$32 million, \$33 million, \$29 million and \$37 million as of September 30, 2016 and as of December 31, 2015, December 31, 2014 and December 31, 2013, respectively. See "Investment Reserves."

### **Real Estate**

Guardian's real estate portfolio includes real estate properties it occupies and real estate it originally acquired as investments or through foreclosure or deed in lieu of foreclosure. As of September 30, 2016 and as of December 31, 2015, 2014 and 2013, Guardian did not have any foreclosed real estate.

The following tables illustrate the diversity of Guardian's real estate portfolio by property type and geographic distribution:

#### **Real Estate Property by Property Type (Excludes Home Office Properties)**

|                          | <b>September 30,</b>    |                   | <b>December 31</b>    |                   |                       |                   |                       |                   |
|--------------------------|-------------------------|-------------------|-----------------------|-------------------|-----------------------|-------------------|-----------------------|-------------------|
|                          | <b>2016</b>             |                   | <b>2015</b>           |                   | <b>2014</b>           |                   | <b>2013</b>           |                   |
|                          | <b>Carrying Value</b>   | <b>% of Total</b> | <b>Carrying Value</b> | <b>% of Total</b> | <b>Carrying Value</b> | <b>% of Total</b> | <b>Carrying Value</b> | <b>% of Total</b> |
|                          | <b>(\$ in Millions)</b> |                   |                       |                   |                       |                   |                       |                   |
| Office .....             | \$ 56.9                 | 14.7%             | \$ 87.7               | 21.1%             | \$ 0.0                | 0.0%              | \$ 0.0                | 0.0%              |
| Apartments .....         | 248.3                   | 64.0%             | 219.7                 | 53.0%             | 31.7                  | 24.4%             | 32.4                  | 25.6%             |
| Industrial & other ..... | 78.8                    | 20.3%             | 103.6                 | 25.0%             | 98.4                  | 75.6%             | 94.3                  | 74.4%             |
| Retail .....             | 3.7                     | 1.0%              | 3.9                   | 0.9%              | 0.0                   | 0.0%              | 0.0                   | 0.0%              |



|                   | September 30,    |               | December 31     |               |                 |               |                 |               |
|-------------------|------------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|
|                   | 2016             |               | 2015            |               | 2014            |               | 2013            |               |
|                   | Carrying Value   | % of Total    | Carrying Value  | % of Total    | Carrying Value  | % of Total    | Carrying Value  | % of Total    |
|                   | (\$ in Millions) |               |                 |               |                 |               |                 |               |
| Hotels.....       | 0.0              | 0.0%          | 0.0             | 0.0%          | 0.0             | 0.0%          | 0.0             | 0.0%          |
| <b>Total.....</b> | <u>\$ 387.7</u>  | <u>100.0%</u> | <u>\$ 414.9</u> | <u>100.0%</u> | <u>\$ 130.1</u> | <u>100.0%</u> | <u>\$ 126.7</u> | <u>100.0%</u> |

**Real Estate by Geographic Distribution (Excludes Home Office Properties)**

|                                         | September 30,    |               | December 31,    |               |                 |               |                 |               |
|-----------------------------------------|------------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|
|                                         | 2016             |               | 2015            |               | 2014            |               | 2013            |               |
|                                         | Carrying Value   | % of Total    | Carrying Value  | % of Total    | Carrying Value  | % of Total    | Carrying Value  | % of Total    |
|                                         | (\$ in Millions) |               |                 |               |                 |               |                 |               |
| New England <sup>(1)</sup> .....        | \$ 63.9          | 16.5%         | \$ 32.5         | 7.8%          | \$ -            | 0.0%          | \$ -            | 0.0%          |
| Mid Atlantic <sup>(2)</sup> .....       | -                | 0.0%          | -               | 0.0%          | -               | 0.0%          | -               | 0.0%          |
| South Atlantic <sup>(3)</sup> .....     | 104.6            | 27.0%         | 137.0           | 33.0%         | 21.2            | 16.3%         | 15.7            | 12.4%         |
| East North Central <sup>(4)</sup> ..... | -                | 0.0%          | -               | 0.0%          | -               | 0.0%          | -               | 0.0%          |
| East South Central <sup>(5)</sup> ..... | -                | 0.0%          | -               | 0.0%          | -               | 0.0%          | -               | 0.0%          |
| West North Central <sup>(6)</sup> ..... | -                | 0.0%          | -               | 0.0%          | -               | 0.0%          | -               | 0.0%          |
| West South Central <sup>(7)</sup> ..... | -                | 0.0%          | -               | 0.0%          | -               | 0.0%          | -               | 0.0%          |
| Mountain <sup>(8)</sup> .....           | -                | 0.0%          | 7.2             | 1.7%          | -               | 0.0%          | -               | 0.0%          |
| Pacific <sup>(9)</sup> .....            | 219.2            | 56.5%         | 238.2           | 57.4%         | 108.9           | 83.7%         | 111.0           | 87.6%         |
| <b>Total.....</b>                       | <u>\$ 387.7</u>  | <u>100.0%</u> | <u>\$ 414.9</u> | <u>100.0%</u> | <u>\$ 130.1</u> | <u>100.0%</u> | <u>\$ 126.7</u> | <u>100.0%</u> |

- (1) New England states are CT, MA, ME, NH, RI and VT.  
(2) Mid-Atlantic states are PA, NJ and NY.  
(3) South Atlantic states are DE, DC, FL, GA, MD, NC, SC, VA and WV.  
(4) East North Central states are IL, IN, MI, OH and WI.  
(5) East South Central states are AL, KY, MS and TN.  
(6) West North Central states are IA, KS, MN, MO, NE, ND and SD.  
(7) West South Central states are AR, LA, OK and TX.  
(8) Mountain Region states are AZ, CO, ID, MT, NV, NM, UT and WY.  
(9) Pacific Region states are AK, CA, HI, OR and WA.

As of September 30, 2016, Guardian's real estate portfolio consisted of 25 properties with a statement value of \$401 million, of which \$13 million was occupied by Guardian. The portfolio uses leverage to increase return, with \$246 million in third-party non-recourse debt outstanding as of September 30, 2016. As of December 31, 2015, Guardian's real estate portfolio consisted of 30 properties with a statement value of \$430 million, of which \$15 million was occupied by Guardian. The portfolio uses leverage to increase return, with \$212 million in third-party non-recourse debt outstanding as of December 31, 2015. As of December 31, 2014, Guardian's real estate portfolio consisted of 18 properties with a statement value of \$149 million, of which \$19 million was occupied by Guardian. The portfolio uses leverage to increase return with \$8 million in third-party non-recourse debt outstanding as of December 31, 2014. As of December 31, 2013, Guardian's real estate portfolio consisted of 18 properties with a statement value of \$145 million, of which \$18 million was occupied by Guardian. The portfolio uses leverage to increase return with \$14 million in third party non-resource debt outstanding as of December 31, 2013.

Guardian reviews individual property valuations on an annual basis. Internal valuations are conducted by Guardian's Asset Managers. Appropriate appraisal valuation methodologies are employed on a case-by-case basis (including Income Approach, Sales Comparison Approach and Cost Approach). Guardian reviews these valuations for technical accuracy, methodology, and the appropriateness of the assumed rates of return. Generally, external valuations are conducted on an ad hoc basis as determined by management or joint venture ownership requirements. As of September 30, 2016, Guardian's real estate and other invested asset AVR totaled \$274 million. As of December 31, 2015, Guardian's real estate and other invested asset AVR totaled \$343 million.

### Private Equity Limited Partnership Investments by Type

|                                     | September 30,<br>2016 |               | 2015            |               | December 31,<br>2014 |               | 2013            |               |
|-------------------------------------|-----------------------|---------------|-----------------|---------------|----------------------|---------------|-----------------|---------------|
|                                     | Carrying Value        | % of Total    | Carrying Value  | % of Total    | Carrying Value       | % of Total    | Carrying Value  | % of Total    |
|                                     | (\$ in Millions)      |               |                 |               |                      |               |                 |               |
| Private Equity Investments ....     | \$ 865                | 48.6%         | \$ 922          | 48.4%         | \$ 789.4             | 36.9%         | \$ 677          | 34.5%         |
| Real Estate Investments .....       | 170                   | 9.6           | 383             | 20.1          | 676                  | 31.3          | 643             | 32.8          |
| Hedge Funds .....                   | -                     | -             | -               | -             | -                    | -             | -               | -             |
| Other Alternative Investments ..... | 64                    | 3.6           | 44              | 2.3           | 74                   | 3.5           | 45              | 2.3           |
| Affiliated LLCs .....               | 681                   | 38.2          | 556             | 29.2          | 600                  | 28.0          | 598             | 30.5          |
| <b>Total .....</b>                  | <b>\$ 1,780</b>       | <b>100.0%</b> | <b>\$ 1,905</b> | <b>100.0%</b> | <b>\$ 2,139</b>      | <b>100.0%</b> | <b>\$ 1,963</b> | <b>100.0%</b> |

### Real Estate Joint Ventures by Property Type

|                    | September 30,<br>2016 |               | 2015            |               | December 31,<br>2014 |               | 2013            |               |
|--------------------|-----------------------|---------------|-----------------|---------------|----------------------|---------------|-----------------|---------------|
|                    | Carrying Value        | % of Total    | Carrying Value  | % of Total    | Carrying Value       | % of Total    | Carrying Value  | % of Total    |
|                    | (\$ in Millions)      |               |                 |               |                      |               |                 |               |
| Office             | \$ 34.1               | 25.6%         | \$ 52.2         | 15.7%         | \$ 145.4             | 23.4%         | \$ 138.6        | 23.2%         |
| Apartments         | 50.7                  | 38.0%         | 184.8           | 55.6%         | 374.0                | 60.1%         | 338.9           | 56.7%         |
| Industrial & other | 2.6                   | 2.0%          | 36.0            | 10.8%         | 39.3                 | 6.3%          | 39.5            | 6.6%          |
| Retail             | 45.9                  | 34.4%         | 45.5            | 13.7%         | 48.9                 | 7.9%          | 49.9            | 8.3%          |
| Hotels             | -                     | 0.0%          | 13.9            | 4.2%          | 15.0                 | 2.4%          | 31.1            | 5.2%          |
| <b>Total</b>       | <b>\$ 133.3</b>       | <b>100.0%</b> | <b>\$ 332.4</b> | <b>100.0%</b> | <b>\$ 622.6</b>      | <b>100.0%</b> | <b>\$ 598.0</b> | <b>100.0%</b> |

### Real Estate Joint Ventures by Geographic Distribution

|                                         | September 30,<br>2016 |               | 2015           |               | December 31,<br>2014 |               | 2013           |               |
|-----------------------------------------|-----------------------|---------------|----------------|---------------|----------------------|---------------|----------------|---------------|
|                                         | Carrying Value        | % of Total    | Carrying Value | % of Total    | Carrying Value       | % of Total    | Carrying Value | % of Total    |
|                                         | (\$ in Millions)      |               |                |               |                      |               |                |               |
| New England <sup>(1)</sup> .....        | \$ -                  | 0.0%          | \$ 13.9        | 4.2%          | \$ 49.7              | 8.0%          | \$ 35.3        | 5.9%          |
| Mid Atlantic <sup>(2)</sup> .....       | 14.8                  | 11.1%         | 14.8           | 4.5%          | 14.4                 | 2.3%          | 4.0            | 0.7%          |
| South Atlantic <sup>(3)</sup> .....     | 45.9                  | 34.4%         | 78.2           | 23.5%         | 208.8                | 33.5%         | 226.8          | 37.9%         |
| East North Central <sup>(4)</sup> ..... | 19.2                  | 14.4%         | 33.9           | 10.2%         | 20.4                 | 3.3%          | 21.4           | 3.6%          |
| East South Central <sup>(5)</sup> ..... | 2.7                   | 2.0%          | 2.7            | 0.8%          | 2.7                  | 0.4%          | 2.4            | 0.4%          |
| West North Central <sup>(6)</sup> ..... | -                     | 0.0%          | -              | 0.0%          | -                    | 0.0%          | -              | 0.0%          |
| West South Central <sup>(7)</sup> ..... | 4.6                   | 3.5%          | 11.6           | 3.5%          | 12.1                 | 1.9%          | 15.9           | 2.7%          |
| Mountain <sup>(8)</sup> .....           | 16.9                  | 12.7%         | 31.7           | 9.5%          | 60.9                 | 9.8%          | 48.8           | 8.2%          |
| Pacific <sup>(9)</sup> .....            | 29.2                  | 21.9%         | 112.3          | 33.8%         | 223.5                | 35.9%         | 213.2          | 35.6%         |
| Other <sup>(10)</sup> .....             | -                     | 0.0%          | 33.3           | 10.0%         | 30.1                 | 4.9%          | 30.2           | 5.0%          |
| <b>Total .....</b>                      | <b>133.3</b>          | <b>100.0%</b> | <b>332.4</b>   | <b>100.0%</b> | <b>622.6</b>         | <b>100.0%</b> | <b>598.0</b>   | <b>100.0%</b> |

- (1) New England states are CT, MA, ME, NH, RI and VT.  
(2) Mid-Atlantic states are PA, NJ and NY.  
(3) South Atlantic states are DE, DC, FL, GA, MD, NC, SC, VA and WV.  
(4) East North Central states are IL, IN, MI, OH and WI.  
(5) East South Central states are AL, KY, MS and TN.  
(6) West North Central states are IA, KS, MN, MO, NE, ND and SD.  
(7) West South Central states are AR, LA, OK and TX.  
(8) Mountain Region states are AZ, CO, ID, MT, NV, NM, UT and WY.  
(9) Pacific Region states are AK, CA, HI, OR and WA.

Note: The reduction in the 2016 real estate joint ventures in the three prior tables resulted from transfers to a wholly-owned subsidiary (GIS - \$270.8 million in real estate joint venture assets as of September 30, 2016).

### **Derivatives**

Derivative instruments are used to attempt to manage Guardian's exposure to fluctuations in interest rates, foreign currency risk, credit risk and equity market risk. A variety of derivative instruments are used including futures, swaps, and foreign exchange forward contracts, among others.

The following table summarizes the notional amount and estimated fair value by derivative type for the periods indicated:

#### **Derivative Financial Instruments**

|                               | Notional Amount  |              |          |          | Estimated Fair Value Asset/(Liability) |             |        |          |
|-------------------------------|------------------|--------------|----------|----------|----------------------------------------|-------------|--------|----------|
|                               | September        | December 31, |          |          | September                              | December 31 |        |          |
|                               | 2016             | 2015         | 2014     | 2013     | 2016                                   | 2015        | 2014   | 2013     |
|                               | (\$ in Millions) |              |          |          |                                        |             |        |          |
| Foreign currency swaps.....   | \$ 272.8         | \$ 145.9     | \$ 45.2  | \$ 9.5   | \$ 15.6                                | \$ 9.0      | \$ 2.3 | \$ (2.8) |
| Currency forwards.....        | \$ -             | \$ -         | \$ 519.0 | \$ 141.2 | \$ 0.0                                 | \$ 0.0      | \$ 9.9 | \$ (1.7) |
| Credit default swaps.....     | \$ -             | \$ 50.0      | \$ -     | \$ -     | \$ 0.0                                 | \$ (5.0)    | \$ -   | \$ -     |
| Exchange traded futures ..... | \$3,197.5        | \$ 170.6     | \$ 247.3 | \$ 79.3  |                                        |             |        |          |

Futures fair value (Variation Margin) is settled daily in full.

There were no currency forwards outstanding as of September 30, 2016.

### **Policy Loans**

Policy loans are permitted to the extent of such policy's contractual limits. Policy loans represent loans to a policyholder on the security of the cash surrender value of the policy. As of September 30, 2016, the policy loan balance was \$3.375 billion, and as of December 31, 2015, December 31, 2014 and December 31, 2013, the policy loan balance was \$3.337 billion, \$3.231 billion and \$3.104 billion, respectively. All policy loans are at fixed interest rates. The interest rates range from 4% to 8%, with over 96% of the loans at 8%.

### **Cash, Cash Equivalents and Short-term Investments**

Cash includes amounts on deposit with banks. Cash equivalents are stated at amortized cost and consist of liquid investments having maturities of three months or less at time of purchase. Short-term investments, including money market funds, are stated at cost or amortized cost and consist primarily of investments having maturities greater than three months from date of purchase, but less than one year to maturity. Fair values for such investments approximate carrying value. The following table details cash, cash equivalents and short-term investments for the periods indicated.

#### **Cash, Cash Equivalents and Short-term Investments**

|                                             | September 30,    | December 31,  |               |               |
|---------------------------------------------|------------------|---------------|---------------|---------------|
|                                             | 2016             | 2015          | 2014          | 2013          |
|                                             | (\$ in Millions) |               |               |               |
| Cash in banks.....                          | \$ 75            | \$ (46)       | \$ 33         | \$ 24         |
| Cash Equivalents:                           |                  |               |               |               |
| Repos and commercial paper .....            | 461              | 801           | 358           | 400           |
| Total Cash and Cash Equivalents .....       | 536              | 755           | 391           | 424           |
| Short-Term Investments:                     |                  |               |               |               |
| Money market funds and treasury bills ..... | 94               | 23            | 374           | 207           |
| <b>Totals .....</b>                         | <b>\$ 630</b>    | <b>\$ 778</b> | <b>\$ 765</b> | <b>\$ 631</b> |

## **Investment Reserves**

Guardian establishes and records write-downs or investment reserves in accordance with statutory practice.

Guardian determines the fair value of bonds in accordance with principles established by the SVO using criteria that include the net worth and capital structure of the borrower, the value of the collateral, the presence of additional credit support, and its evaluation of the borrower's ability to compete in a relevant market.

In the case of real estate and commercial mortgage loans, Guardian makes borrower and property-specific assessments as well.

In compliance with regulatory requirements, Guardian maintains an AVR. The AVR is a contingency reserve to offset potential losses of stocks, real estate investments, partnerships and LLCs, as well as credit-related declines in bonds, mortgage loans and derivatives.

As of September 30, 2016, the AVR totaled \$814 million, which represents a 2.0% increase from December 31, 2015. As of December 31, 2015, the AVR totaled \$798 million, which represents a 5.8% increase from December 31, 2014. This increase was primarily due to the calculated contributions required to fund the reserve in accordance with the AVR formula. The AVR is currently at its maximum level of reserve. The AVR at December 31, 2014 totaled \$754 million and was at \$686 million at December 31, 2013.

## **Quantitative and Qualitative Information about Market Risk**

All non-guaranteed separate account assets and liabilities have been excluded from the following discussion since all market risks associated with those accounts are assumed by GIAC contract holders.

Assets, such as bonds, stocks, mortgage loans on real estate, policy loans, and derivatives are financial instruments, which are subject to the risk of market volatility and potential market disruptions. These risks may reduce the value of Guardian's financial instruments or impact future cash flows and earnings from those instruments.

Guardian's primary market risk exposure is changes in interest rates, which can cause changes in the fair value, cash flows, and earnings of certain financial instruments. To manage its exposure to interest rate changes, Guardian uses what it believes to be sophisticated quantitative asset/liability management techniques designed to match the market sensitivity of assets with the liabilities they support to reduce the net economic impact to changes in interest rates. In addition, Guardian invests a significant portion of its investment allocation in high quality bonds in order to maintain and manage liquidity and reduce the risk of default in the portfolio.

See "—Hedging Programs."

GIAC offers VAs with living benefit riders, although it will discontinue sales of these products on or before March 31, 2017. The VAs that are purchased with a living benefit rider are primarily in the form of GMWBs. The profitability of these products can vary as GIAC's obligation changes with interest rate and equity market volatility. GIAC has a reinsurance agreement with a third-party reinsurer that reinsures 90% of various GMWB riders that were written through December 2008 and introduced prior to September 2008. That reinsurer is an admitted reinsurer in New York. The financial strength ratings of this reinsurer from S&P and Moody's are AA- and Aa3, respectively. The reinsurance treaty remains in effect for any business written on these riders through December 2008. The business written on new rider forms introduced in September 2008 and after, which were not covered by the treaty, as well as the 10% of the risks on riders introduced prior to September 2008 that are not reinsured, are subject to a hedging program, as described below under "—Hedging Programs—GIAC GMWB Rider Hedging Program." While the hedging program is designed to mitigate equity risk and interest rate tail risk associated with these riders, it is not currently hedging all risks associated with such riders, such as volatility risks associated with policyholder withdrawals in equity markets subject to sustained volatility. There can be no assurance that this hedging program will reduce all the risks associated with those riders. See "Risk Factors—Risk Factors Related to

Guardian—Guarantees embedded in GMWB riders sold with variable annuity contracts expose GIAC to certain risks.”

The reserves related to these living benefit riders were \$7,193 million as of September 30, 2016. The reserves related to these living benefit riders were \$6,764 million as of December 31, 2015. As of December 31, 2014, the reserves related to these living benefit riders were \$6,680 million and as of December 31, 2013, the reserves related to these living benefit riders were \$6,136 million.

### ***Risks Related to Credit Markets***

Credit risk is the risk that issuers of investments owned by Guardian may default or that other parties may not be able to pay amounts due to it. Guardian attempts to manage its investments to limit credit risk by diversifying its portfolio among various security types and industry sectors and limiting the exposure to issuers.

Guardian is exposed to credit-related losses in the event of non-performance by counterparties to various financial instruments. In order to reduce counterparty risk, Guardian and certain of its counterparties require collateral to be posted in the amount owed under each of these transactions, subject to thresholds and minimum transfer amounts that are functions of the rating on the counterparty’s long-term, unsecured, unsubordinated debt.

Guardian regularly monitors counterparty credit ratings and exposures, investment positions and valuations, and the value of collateral posted to ensure counterparties are credit-worthy and the concentration of its exposure. Guardian monitors this exposure as part of its management of its overall credit exposures.

### ***Hedging Programs***

#### ***Macro Dynamic Hedging Program***

Guardian currently maintains what it refers to as a macro dynamic hedging program which uses exchange traded futures contracts to hedge on a macro level against volatility impact on capital. The macro dynamic hedging program seeks to protect statutory capital from volatility resulting from mark-to-market assets.

The hedging program is currently using exclusively exchange traded derivatives such as equity index futures and currency futures contracts, in part to avoid individual counterparty exposure under non-cleared swaps.

While Guardian’s hedging program attempts to protect capital from volatility of mark-to-market assets, various factors may adversely affect the ability of the program to achieve its goal. These factors may include operational risks associated with the execution of the program, liquidity risks in the futures market, the availability of suitable instruments to replicate the option valuation model related sensitivity calculations, model risks, basis risks between the futures and underlying indices, continuity of trading in the futures markets in periods of distress, and changes in the relevant regulatory environment at the federal and state levels and the cost of hedging. The macro dynamic hedging program effectively links Guardian’s ability or tolerance to take certain capital markets risks to a desired level of maximum pre-tax loss. Therefore, following this hedging strategy, an adverse impact to Guardian’s capital could result from a lack of operating earnings, credit impairments or other factors and will not be covered by this macro hedging program.

There can be no assurances that the macro dynamic hedging program will protect Guardian’s capital from volatility of mark-to-market assets.

See “Financial and Accounting Matters—Critical Accounting Policies.”

#### ***GIAC GMWB Rider Hedging Program***

Within GIAC, short and long positions in exchange traded futures based on Treasuries and various stock indexes are used to hedge the firm’s statutory and economic obligations associated with writing GMWB riders in connection with GIAC’s VA business. This hedging program is used only to the extent those riders are not reinsured

to a third party reinsurer. GIAC has a reinsurance agreement with a third-party reinsurer that reinsures 90% of the risk under various GMWB riders that were written through December 2008 and introduced prior to September 2008. The reinsurance treaty remains in effect for any business written on these riders through December 2008. The business written on new rider forms introduced in September 2008 and after, which were not covered by the treaty, as well as the 10% of the risks on riders introduced prior to September 2008 that are not reinsured, are subject to a hedging program.

As part of this hedging program, Guardian periodically rebalances hedge positions. The hedge rebalancing is linked to the sensitivities of the liabilities being hedged to equity and interest rate risk. The sensitivities are calculated daily, based on policy by policy daily updates of in-force liabilities and current equity markets and interest rate levels. Futures positions are designed to partially offset a combination of statutory and economic liability sensitivities in accordance with the parameters of the hedging program. Equity index futures positions used in this hedging program attempt to offset the equity risk sensitivity of the liabilities. Treasury index futures are used to hedge the interest rate risk of the liabilities. Volatility risk is not hedged at the current time, but will be considered when appropriate. All risk from the riders is accordingly not hedged by this program, including risks associated with sustained volatility in equity markets and policyholder withdrawals. There can be no assurances that this hedging program will reduce the risks associated with these riders. See “Risk Factors—Risk Factors Related to Guardian—Guarantees embedded in GMWB riders sold with variable annuity contracts expose GIAC to certain risks.”

### ***Seed Capital Hedging***

In the past, as appropriate Guardian has hedged directly equity market risks associated with seed capital investments it has made in mutual funds advised by its former subsidiary, RS Investment Management Co. LLC. The hedges were executed with equity index futures.

### ***Foreign Currency Risk Hedging Program***

Within the general account of Guardian, currency derivatives are used to manage the currency risk inherent in the firm’s global bond portfolios and certain foreign denominated private placement transactions. Currency hedging is accomplished using currency forward contracts as well as currency swaps. Hedging decisions are based upon Guardian’s view of macroeconomic fundamentals across the markets in which it invests and desired tolerance for currency risk.

### ***Credit Default Risk Hedging and Replications***

Guardian employs credit default swaps to hedge credit risks in its investment portfolios as needed. Credit risk in the corporate bond portfolio is hedged using credit default swaps, when viewed as warranted by Guardian, which considers liquidity, fundamentals, issuer exposure and other relevant factors in making this determination. In 2015, Guardian also used uncleared credit default swaps to enter into replication transactions to achieve exposure to desired market segments. Credit default swaps positions may involve credit exposure to derivative counterparties in bilateral uncleared transactions or to the clearing house of the central clearing counterparty involved. Guardian uses collateral arrangements with all its counterparties to manage this risk.

### ***Interest Rate Hedging Programs***

Guardian partially hedges interest rate risk with derivatives in the GIAC GMWB rider hedging program (see above). Interest rate risk exposures are also managed by matching the duration of portfolios, including fixed income assets such as treasuries and corporate bonds, to the duration of the respective liabilities to minimize interest rate risk. In the course of asset/liability management Guardian or its affiliates may also use derivatives to manage interest rate risk. In 2016, Guardian started using such an interest rate hedging program in two of its segments. In addition, Guardian hedges the interest rate risk due to timing between the accumulation of assets supporting funding agreement backed notes and the issuance of the liability. There is no guarantee that the employed interest rate risk hedging program will offset the interest rate risk exposure intended to be hedged.

### ***Deferred Compensation (Company Plan) Liability Hedging***

Guardian offers a non-qualified deferred compensation plan to certain individuals such as eligible employees, retirees and directors. Deferred compensation growth is linked to the performance of equity and fixed income investments with observable returns. Guardian had employed a hedging program to hedge the equity linked company liabilities associated with the deferred compensation plan. The instruments used to hedge these liabilities are equity index futures. There are no guarantees that the company plan liability hedging program will offset the equity linked company liabilities associated with its deferred compensation plan.

### ***Replication***

Guardian has used and may use derivatives to enter into replications of permitted securities. In 2016, Guardian used interest rate futures to replicate US treasury returns.

### ***FA Backed Notes Interest Rate Hedging***

In 2016, Guardian acquired assets to support the issuance of two funding agreements backing notes issued by Guardian Life Global Funding and hedged the interest rate risk of those assets using Treasury futures.

### ***Other Hedging Programs***

Guardian has employed in the past, may be employing or may employ in the future other hedging programs not listed above such as rate lock hedging for private placements and commercial mortgages origination, hedging equity linked features of its products and other similar derivative programs under its Derivative Use Plan.

## DIRECTORS AND EXECUTIVE OFFICERS OF GUARDIAN

Set forth below is information regarding the directors and executive officers of Guardian as of January 1, 2017:

| <b>Name</b>                 | <b>Title</b>                                                                                | <b>Since<sup>(2)</sup></b> |
|-----------------------------|---------------------------------------------------------------------------------------------|----------------------------|
| John J. Brennan .....       | Director <sup>(1)</sup>                                                                     | 2011                       |
| Lloyd E. Campbell.....      | Director <sup>(1)</sup>                                                                     | 2006                       |
| Richard E. Cavanagh .....   | Director <sup>(1)</sup>                                                                     | 1998                       |
| Nancy E. Cooper.....        | Director <sup>(1)</sup>                                                                     | 2012                       |
| Deborah L. Duncan.....      | Lead Director <sup>(1)</sup>                                                                | 2017                       |
|                             | Director <sup>(1)</sup>                                                                     | 2006                       |
| William C. Freda .....      | Director <sup>(1)</sup>                                                                     | 2014                       |
| Deanna M. Mulligan.....     | Director                                                                                    | 2011                       |
|                             | President and Chief Executive Officer                                                       | 2008                       |
| Stephen J. Squeri .....     | Director <sup>(1)</sup>                                                                     | 2009                       |
| Donald C. Waite III .....   | Director <sup>(1)</sup>                                                                     | 2002                       |
| Dong H. Ahn .....           | Executive Vice President, Group and Worksite<br>Markets                                     | 2011                       |
| Marc M. Costantini.....     | Executive Vice President and Chief Financial Officer                                        | 2014                       |
| Dean Del Vecchio.....       | Executive Vice President, Chief Information Officer<br>& Head of Enterprise Shared Services | 2013                       |
| Michael N. Ferik.....       | Executive Vice President, Life Insurance and Wealth                                         | 2009                       |
| Tracy L. Rich, Esq. ....    | Executive Vice President and General Counsel                                                | 2009                       |
| Jay E. Rosenblum .....      | Senior Vice President, Chief Human Resources<br>Officer                                     | 2015                       |
| Michael Slipowitz.....      | Senior Vice President, Corporate Chief Actuary and<br>Chief Risk Officer                    | 2008                       |
| Thomas G. Sorell, CFA ..... | Executive Vice President and Chief Investment<br>Officer                                    | 1994                       |

The address of each of the directors and executive officers listed above is The Guardian Life Insurance Company of America, 7 Hanover Square, New York, New York, 10004. Guardian's main telephone number is (212) 919-8000.

- 
- (1) Independent non-employee director.  
(2) First year of affiliation with Guardian.

### **Directors' Biographical Information**

Set forth below is a description of the business positions held by the directors during at least the past five years (ages as of January 1, 2017).

**John J. Brennan**, age 62, is the former Chairman and Chief Executive Officer of The Vanguard Group, from which he retired in December 2009. He is currently Chairman Emeritus of The Vanguard Group and Chairman of the Vanguard Charitable Endowment Program. He serves as Chairman of FINRA, is a member of the Board of Trustees of University of Notre Dame, is the Lead Director of the General Electric Company, and is a Director of LPL Financial Holdings Inc.

**Lloyd E. Campbell**, age 59, has been a consultant with Spencer Stuart since 2008. Mr. Campbell is also Special Advisor to Aurora Management Partners LLC. He is also a former Senior Advisor of Rothschild Inc., former Director of Argyle Securities Corporation, Spartech Corporation and the Alderwoods Group, and a past Trustee of Georgetown University.



**Richard E. Cavanagh**, age 70, is the former President and Chief Executive Officer of The Conference Board, Inc. Mr. Cavanagh served in that position from 1995 to 2007. Previously, Mr. Cavanagh was Executive Dean of the John F. Kennedy School of Government at Harvard University, where he is currently a faculty member. Mr. Cavanagh is a Director and Chairman of the BlackRock Mutual Funds family, and a Director and Senior Advisor of the Fremont Group. He is a former Director of Arch Chemicals, Inc. and a former Trustee of the Aircraft Finance Trust, and the Educational Testing Service.

**Nancy E. Cooper**, age 63, is the former Chief Financial Officer and Executive Vice President of CA Technologies, Inc. Ms. Cooper served in that position from 2006-2011. She is also a former Chief Financial Officer and Senior Vice President of IMS Health, Inc. and former Partner of General Atlantic. She is a Director of Brunswick Corporation, Teradata Corporation, and The Mosaic Company.

**Deborah L. Duncan**, age 61, is a Senior Advisor and former Executive Vice President and Chief Financial Officer of Fremont Group. Ms. Duncan is a Director of the Fremont Group and certain related companies and foundations. She is also a member of the Board of Trustees of Smith College.

**William C. Freda**, age 64, is the retired Senior Partner and Vice Chairman of Deloitte, former Chairman of Global Insurance Committee at Deloitte Touche Tohmatsu Limited (DTTL), and former Managing Partner of U.S. Financial Services Industry Practice of Deloitte LLP. Mr. Freda is a Director of State Street Corporation and Hamilton Insurance Group, and a trustee at Bentley University. He is a former Director of DTTL, former Chairman of American Institute of Certified Public Accountants' (AICPA) Insurance Company Committee, former Chairman of AICPA's Mutual Life Insurance Task Force, former U.S. Representative for the International Accounting Standards Committee's Insurance Steering Committee, former Chairman of Board of Trustees at Catholic Community Services, and former Chairman of Board of Trustees at United Way of Essex and West Hudson.

**Deanna M. Mulligan**, age 53, has been the President and Chief Executive Officer and a Director of Guardian since 2011. Previously, she served as the President and Chief Operating Officer of Guardian in 2010. Ms. Mulligan joined Guardian in 2008 as the Executive Vice President, Individual Life and Disability. She serves as a Director of Arch Capital Group Ltd., a Director of the Partnership for New York City, Trustee of the Economic Club of New York, Director of the Committee Encouraging Corporate Philanthropy and the former Chair of the American Council of Life Insurers. Ms. Mulligan is also a member of the Stanford Graduate School of Business Advisory Council, and a former member of the President's Advisory Council on Financial Capability for Young Americans. Prior to joining Guardian in 2008, Ms. Mulligan founded DMM Management Solutions LLC where she served as President from 2007 to 2008. Previously, she held several other management positions at McKinsey & Company, AXA Financial, Inc. and New York Life Insurance Company.

**Stephen J. Squeri**, age 57, is the Vice Chairman of American Express Company, where he has worked since 1985. Mr. Squeri serves as a Director of J. Crew Group and American Express Global Business Travel. He is also a member of the Board of Trustees of Manhattan College and of the Valerie Fund, and a former member of the Board of Trustees of the Harlem Children's Zone. In addition, he serves as a member of the Board of Governors of Columbus Citizens Foundation.

**Donald C. Waite III**, age 74, was a member of McKinsey & Company's Office of the Managing Director, and Chairman of McKinsey's Investment Committee and Compensation Committee from 1996 to 2002. He is a Director Emeritus of McKinsey & Company and a member of the McKinsey Investment Committee. Mr. Waite is a member of the Board of Overseers of Columbia University Graduate School of Business, and serves as a Director of Information Services Group, Inc.

## **Executive Officers' Biographical Information**

Set forth below is a description of the business positions held during the past five years by the executive officers (other than Ms. Mulligan whose biographical data is described above) (ages as of January 1, 2017) listed above.

**Dong H. Ahn**, age 56, has been the Executive Vice President, Group and Worksite Markets, of Guardian since 2013. Previously, he had been the Senior Vice President and Profit Center Officer of Group Insurance, of Guardian since 2011. Mr. Ahn has more than 20 years of experience in leading and growing businesses within the insurance industry, including serving as Senior Vice President of the Group Insurance Division at Aetna, where he was responsible for the group life, disability and long-term care businesses. Prior to joining Aetna, Mr. Ahn served as Senior Vice President of the Employer Market Group Benefits Division at The Hartford Life Insurance Company, representing more than \$1.6 billion in premiums. In addition, he held various management positions during his tenure at Travelers Insurance.

**Marc M. Costantini**, age 47, has been the Executive Vice President and Chief Financial Officer since 2014. Previously, he held several senior management positions with Manulife Financial Corporation (“Manulife”) and John Hancock Life Insurance Company (“John Hancock”), including Executive Vice President, Corporate Development and Strategy for Manulife from 2012 to 2014, Executive Vice President, Strategic Initiatives for John Hancock from 2011 to 2012, President, Annuities for John Hancock from 2007 to 2011 and Chief Financial Officer for John Hancock from 2005 to 2007.

**Dean Del Vecchio**, age 50, has been the Executive Vice President, Chief Information Officer & Head of Enterprise Shared Services since 2016. Previously he had been the Senior Vice President, Chief Information Officer of Guardian since 2013. Prior to joining Guardian, he was the Senior Vice President, Chief Information Officer and Head of IT Shared Services at News Corp. Dow Jones from 2005 to 2013.

**Michael N. Ferik**, age 44, has been the Executive Vice President, Individual Markets, of Guardian since 2016. Previously, he had been the Senior Vice President, Life Insurance and Wealth Management, of Guardian since 2009. Prior to joining Guardian, he held a senior management position with AXA Equitable, Life Products and Annuities and an engagement management position with McKinsey & Company. Mr. Ferik also held a Vice President & Actuary position with Manulife (Singapore).

**Tracy L. Rich**, Esq., age 64, has been the Executive Vice President and General Counsel of Guardian since 2009. He also served as Guardian's Corporate Secretary from 2009 to 2015. Prior to joining Guardian, Mr. Rich served as the Executive Vice President, General Counsel and Secretary of The Phoenix Companies, Inc. from 2002 to 2009. Previously, Mr. Rich held senior legal positions at Massachusetts Mutual Life Insurance Company and Connecticut Mutual Life Insurance Company.

**Jay E. Rosenblum**, age 50, has been the Senior Vice President and Chief Human Resources Officer of Guardian since 2016. Previously, he led Guardian's Government Affairs team as Senior Vice President of Government Affairs from 2015 to 2016. Prior to joining Guardian, he was the Senior Vice President, Associate General Counsel and Director of Government Affairs of The Hartford from 2009 to 2015.

**Michael Slipowitz**, age 58, has been Senior Vice President and Corporate Chief Actuary of Guardian since 2010. He has also been Chief Risk Officer of Guardian since 2014. Mr. Slipowitz joined Guardian in 2008 and served as Vice President, Chief Actuary, Retirement Solutions, from 2008 to 2010. Prior to joining Guardian, Mr. Slipowitz served as Chief Risk Officer at AXA Financial, Inc. from 2004 to 2007.

**Thomas G. Sorell**, CFA, age 61, has been the Executive Vice President and Chief Investment Officer of Guardian and certain other Guardian subsidiaries since 2003. Previously, Mr. Sorell was a Senior Managing Director, Head of Guardian's Fixed Income Department, and Co-Portfolio Manager of a number of Guardian-sponsored fixed income funds.

## **CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

Except as described below, there are no potential conflicts of interest between the duties to Guardian of any of the members of the Board of Directors and their respective private interests or other duties.

In the ordinary course of its insurance operations, Guardian and its insurance subsidiaries have from time to time provided insurance coverage to a number of corporations of which the directors of Guardian are or were officers or directors. However, such coverage is primarily the result of sales efforts and is not tied to the membership on Guardian's Board of Directors of any one or more individuals or to a relative or spouse of such individual.

Some of the directors carry one or more life insurance policies issued by Guardian and its insurance subsidiaries. These policies give owners voting rights as prescribed by the New York Insurance Law, but in the aggregate such directors and officers who are policyholders hold an insignificant percentage of the aggregate voting rights in Guardian.

## GLOSSARY

*The following Glossary includes general definitions of certain insurance terms as well as other terms relating specifically to Guardian.*

**Admitted assets:** Assets which are included in an insurance company's financial statements to measure surplus as determined in accordance with state insurance laws. Other assets, consisting principally of amounts due from insurance agents, prepaid expenses and furniture and equipment are treated as "nonadmitted assets" for statutory accounting purposes.

**Annual Statement:** The reports filed annually with state insurance regulatory authorities that contain financial and other information on a calendar year basis and are prepared in accordance with statutory accounting practices. The form of the annual statement is prescribed by the NAIC.

**Annuity:** A contract that pays or permits the election of a periodic income benefit for the life of a person, the lives of two or more persons or a specific period of time.

**Apportioned Dividend Liability:** The estimated amount of all dividends declared by Guardian's Board of Directors prior to the end of the statement year which are not yet paid or due at the end of the year.

**Asset Valuation Reserve ("AVR"):** The reserve required by insurance regulators to stabilize statutory surplus from non interest-related fluctuations in the market value of bonds, stocks, mortgage loans, real estate and other invested assets.

**Carrying Value:** The value of an asset as carried on an insurance company's balance sheet, as determined in accordance with SAP.

**Cash Value:** The amount of cash available to a policyholder on the surrender of a life insurance policy or annuity contract.

**Cede:** When an insurer reinsures its liability with another insurer (a "cession"), it "cedes" business and is referred to as the "ceding company."

**Disability Income Insurance:** Insurance which provides income payments to the insured when employment is interrupted or terminated because of illness, sickness or accident. The level, timing and duration of payments vary by policy type.

**Dividend Scales:** The schedule of amounts payable as dividends on participating policies based on experience factors relating to, among other things, investment results, mortality, lapse rates, expenses, premium taxes and policy loan interest and utilization rates.

**Equity Real Estate:** An investment asset category which combines wholly owned real estate and interests in real estate joint ventures.

**GAAP:** Accounting Principles Generally Accepted in the United States of America.

**General Account:** The aggregate of an insurer's assets other than those allocated to Separate Accounts.

**General Account Assets:** The assets held in the General Account associated with the operations of an insurance company which include bonds, mortgages, real estate, equity interests, policy loans, cash and short-term investments and other invested assets.

**Insurance Subsidiaries:** Collectively, the significant operating insurance subsidiaries of Guardian, mainly GIAC.

**Interest Maintenance Reserve (“IMR”):** The reserve required by insurance regulators to capture interest rate-related realized capital gains and losses (net of taxes) on fixed income investments (primarily bonds and mortgage loans), which are amortized into net investment income over the estimated remaining periods to maturity of the investments sold.

**Investment Reserves:** Collectively, the AVR and other investment reserves.

**Lapse:** Termination of a policy because of surrender, failure to pay a premium or lack of sufficient cash value to maintain in-force status.

**Lapse Rate:** The ratio of the amount of lapses during a period to the amount of insurance in force or amount of premium at the beginning of the period.

**Morbidity:** Rates and duration of disability varying by such things as age, gender and duration since disability, used in pricing and valuing disability income insurance products.

**Mortality:** Rates of death, varying by such parameters as age, gender and health, used in pricing and valuing life and annuity products.

**National Association of Insurance Commissioners (“NAIC”):** The national association of state insurance regulators that sets guidelines for statutory policies, procedures and reporting for insurance enterprises.

**Participating Policyholder:** A policyholder who participates in the divisible surplus of an insurance company through policyholder dividends to the extent declared by an insurer’s Board of Directors.

**Persistency:** Measurement of life insurance or other insurance policies remaining in force from year to year.

**Policy:** A life, accident, health, annuity, property or casualty contract, issued by an insurance company to an individual or group, that provides financial protection to an insured, owner or beneficiary.

**Policyholder Dividends:** Premiums for participating policies are set with margins designed and intended to allow for certain refund provisions, usually called policyholder dividends, paid over the term of the policy, if and as declared by the insurer’s board of directors, and adjusted, over time, to reflect the actual experience of the class of policies involved.

**Reinsurance:** The acceptance by one or more insurers, called reinsurers, of a portion of risk underwritten by another insurer who has directly written the coverage in return for a portion of the premium relating thereto. The legal rights of the insured generally are not affected by the reinsurance transaction and the insurance enterprise issuing the insurance contract remains liable to the insured for payment of policy benefits.

**Risk Based Capital (“RBC”):** A regulatory measure of the minimum amount of capital needed for an insurance company to support its overall business in light of both its size and risk profile.

**Separate Accounts:** Investment accounts maintained by an insurer to which funds have been allocated for certain policies under provisions of relevant state insurance law. The investments in each Separate Account are maintained separately from those in other Separate Accounts and the General Account. The investment results of the Separate Account assets normally are passed through to the relevant policyholders.

**Statutory Accounting Practices (“SAP”):** Those accounting practices prescribed or permitted by an insurer’s domiciliary state insurance regulator for purposes of financial reporting to insurance regulators.

**Statutory Reserves:** Amounts established pursuant to state insurance laws that an insurer must have available to provide for future obligations with respect to all policies. Reserves are liabilities on the balance sheet of financial statements prepared in conformity with statutory accounting practices.

**Statutory Surplus:** As determined under statutory basis accounting principles, the amount remaining after all liabilities, including loss reserves, are subtracted from all admitted assets. Admitted assets are assets of an insurer permitted by a state to be taken into account in determining the insurer's financial condition for statutory purposes.

**Surrenders and Withdrawals:** Surrenders of life insurance policies and annuity contracts for their entire net cash surrender values and withdrawals of a portion of such values.

**Term Life:** Life insurance which provides insurance protection for a fixed period (which generally may be renewed at an increased premium) and has no cash value.

**Total Adjusted Capital:** Guardian adopted the NAIC's definition of total adjusted capital for purposes of comparison with RBC; defined as Surplus plus AVR plus half the Apportioned Dividend Liability.

**Unassigned Surplus:** The undistributed and unappropriated amount of statutory surplus. This excludes surplus notes and special surplus funds. Special surplus funds are voluntary or general contingency reserves which are not actual liabilities of the company.

**Underwriting:** The process of examining, accepting or rejecting insurance risks, and classifying those accepted, in order to charge an appropriate premium for each risk accepted.

**Universal Life Insurance:** Life insurance under which (1) premiums are generally flexible, (2) the level of death benefits may be adjusted and (3) explicit expense, interest, and mortality rates are used to accumulate cash value.

**Variable Universal Life Insurance:** Same as Universal Life Insurance, except the interest element is replaced by actual performance of one or more Separate Accounts; the entire investment risk is borne by the policyholder.

**Whole Life Insurance:** These policies provide guaranteed death benefits and guaranteed cash values in return for periodic fixed premium payments or, in the case of single premium whole life policies, a lump sum payment when the policy is issued. Participating whole life insurance provides dividends based on actual experience more favorable than expense, interest, mortality, and persisting assumptions underlying guarantees.

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## **Independent Auditor's Report**

To the Board of Directors of  
The Guardian Life Insurance Company of America:

We have audited the accompanying statutory financial statements of The Guardian Life Insurance Company of America which comprise the statutory basis balance sheets as of December 31, 2015 and 2014, and the related statutory basis statements of operations, changes in policyholders' surplus, and cash flows for the years then ended.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 to the financial statements, the financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America are material.





### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2015 and 2014, or the results of its operations or its cash flows for the years then ended.

### ***Opinion on Statutory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the Company as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services described in Note 2.

### ***Opinion on Supplemental Schedules***

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule I - Selected Financial Data, Investment Risk Interrogatories, and Summary Investment Schedule of the Company (collectively “the supplemental schedules”) as of December 31, 2015 and for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The effects on the supplemental schedules of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. As a consequence, the supplemental schedules do not present fairly, in conformity with accounting principles generally accepted in the United States of America, such information of the Company as of December 31, 2015 and for the year then ended. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A stylized, handwritten signature of PricewaterhouseCoopers LLP in black ink.

February 26, 2016

# **The Guardian Life Insurance Company of America**

**Audited Statutory Basis  
Financial Statements and Supplemental Schedules  
December 31, 2015 and 2014**

# **The Guardian Life Insurance Company of America**

## **Audited Statutory Basis Financial Statements**

**December 31, 2015 and 2014**

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# The Guardian Life Insurance Company of America

## Statutory Basis Balance Sheets

(In Millions)

|                                                                         | As of December 31, |                  |
|-------------------------------------------------------------------------|--------------------|------------------|
|                                                                         | 2015               | 2014             |
| <b>Admitted Assets</b>                                                  |                    |                  |
| Bonds                                                                   | \$ 31,716          | \$ 29,653        |
| Common and preferred stocks                                             | 1,623              | 1,649            |
| Mortgage loans                                                          | 3,388              | 3,046            |
| Real estate                                                             | 430                | 149              |
| Policy loans                                                            | 3,337              | 3,231            |
| Other invested assets                                                   | 1,906              | 2,139            |
| Receivable for securities                                               | 2                  | 1                |
| Cash, cash equivalents and short-term investments                       | 778                | 765              |
| <b>Total invested assets</b>                                            | <u>43,180</u>      | <u>40,633</u>    |
| Due and accrued investment income                                       | 367                | 367              |
| Premiums deferred and uncollected                                       | 1,021              | 969              |
| Current federal and foreign income tax recoverable and interest thereon | 101                | 55               |
| Net deferred tax asset                                                  | 707                | 711              |
| Reinsurance recoverable from affiliate                                  | 2,370              | 2,356            |
| Other assets                                                            | 375                | 205              |
| <b>Total admitted assets</b>                                            | <u>\$ 48,121</u>   | <u>\$ 45,296</u> |
| <b>Liabilities</b>                                                      |                    |                  |
| Reserves for policy benefits                                            | \$ 37,031          | \$ 34,856        |
| Policyholder dividends payable and other contract liabilities           | 2,189              | 2,054            |
| Interest maintenance reserve                                            | 373                | 412              |
| Asset valuation reserve                                                 | 798                | 754              |
| Other liabilities                                                       | 1,640              | 1,528            |
| <b>Total liabilities</b>                                                | <u>42,031</u>      | <u>39,604</u>    |
| Policyholders' surplus                                                  | 5,245              | 4,847            |
| Surplus notes                                                           | 845                | 845              |
| <b>Total liabilities and policyholders' surplus</b>                     | <u>\$ 48,121</u>   | <u>\$ 45,296</u> |

See notes to statutory basis financial statements.

# The Guardian Life Insurance Company of America

## Statutory Basis Statements of Operations

(In Millions)

|                                                              | For the Years Ended December 31, |               |
|--------------------------------------------------------------|----------------------------------|---------------|
|                                                              | 2015                             | 2014          |
| <b>Revenues</b>                                              |                                  |               |
| Premiums, annuity considerations and fund deposits           | \$ 7,334                         | \$ 6,999      |
| Net investment income                                        | 1,985                            | 2,146         |
| Other income                                                 | 376                              | 397           |
| <b>Total revenues</b>                                        | <u>9,695</u>                     | <u>9,542</u>  |
| <b>Benefits and Expenses</b>                                 |                                  |               |
| Benefit payments to policyholders and beneficiaries          | 4,104                            | 3,858         |
| Net increase to policy benefit reserves                      | 2,137                            | 2,172         |
| Commissions and operating expenses                           | 2,048                            | 1,997         |
| <b>Total benefits and expenses</b>                           | <u>8,289</u>                     | <u>8,027</u>  |
| Gain from operations before policyholder dividends and taxes | 1,406                            | 1,515         |
| Policyholder dividends                                       | <u>(826)</u>                     | <u>(778)</u>  |
| Gain from operations before taxes and realized capital gains | 580                              | 737           |
| Income tax expense                                           | <u>(82)</u>                      | <u>(102)</u>  |
| Income from operations before net realized capital gains     | 498                              | 635           |
| Net realized capital (losses) gains                          | <u>(65)</u>                      | <u>77</u>     |
| <b>Net income</b>                                            | <u>\$ 433</u>                    | <u>\$ 712</u> |

See notes to statutory basis financial statements.

# The Guardian Life Insurance Company of America

## Statutory Basis Statements of Change in Policyholders' Surplus

(In Millions)

|                                                             | For the Years Ended December 31, |                 |
|-------------------------------------------------------------|----------------------------------|-----------------|
|                                                             | 2015                             | 2014            |
| <b>Beginning of year balance</b>                            | \$ 5,692                         | \$ 5,012        |
| <b>Adjustments to surplus:</b>                              |                                  |                 |
| Net income                                                  | 433                              | 712             |
| Change in net unrealized capital gains (losses), net of tax | 61                               | (307)           |
| Change in reserve on account of change in valuation basis   | (40)                             | -               |
| Change in asset valuation reserve                           | (44)                             | (69)            |
| Change in surplus note                                      | -                                | 449             |
| Change in net deferred taxes                                | (16)                             | 39              |
| Change in non-admitted assets                               |                                  |                 |
| Pension                                                     | 2                                | 128             |
| Other                                                       | 52                               | (34)            |
| Change in pension funded status                             | (38)                             | (237)           |
| Other changes, net                                          | (12)                             | (1)             |
| Net adjustments to unassigned surplus                       | 398                              | 680             |
| <b>End of year balance</b>                                  | \$ <u>6,090</u>                  | \$ <u>5,692</u> |

See notes to statutory basis financial statements.

# The Guardian Life Insurance Company of America

## Statutory Basis Statements of Cash Flows

(In Millions)

|                                                                             | For the Years Ended December 31, |                |
|-----------------------------------------------------------------------------|----------------------------------|----------------|
|                                                                             | 2015                             | 2014           |
| <b>Cash flows from operating activities:</b>                                |                                  |                |
| Premiums and other income received                                          | \$ 7,314                         | \$ 7,001       |
| Investment income                                                           | 2,062                            | 2,183          |
| Other income                                                                | 272                              | 122            |
| Benefits and loss related payments                                          | (4,029)                          | (3,874)        |
| Commissions, expenses and taxes paid                                        | (2,251)                          | (2,095)        |
| Dividends paid                                                              | (782)                            | (775)          |
| Other, net                                                                  | (228)                            | (69)           |
| Net cash provided by operating activities                                   | <u>2,358</u>                     | <u>2,493</u>   |
| <b>Cash flows from investing activities:</b>                                |                                  |                |
| Proceeds from investments sold or matured:                                  |                                  |                |
| Bonds                                                                       | 10,748                           | 10,908         |
| Common and preferred stocks                                                 | 340                              | 281            |
| Mortgage loans                                                              | 469                              | 484            |
| Real estate                                                                 | 32                               | -              |
| Other investments                                                           | 679                              | 289            |
| Proceeds from investments sold or matured                                   | <u>12,268</u>                    | <u>11,962</u>  |
| Cost of investments acquired:                                               |                                  |                |
| Bonds                                                                       | 12,791                           | 13,027         |
| Common and preferred stocks                                                 | 361                              | 588            |
| Mortgage loans                                                              | 816                              | 695            |
| Real estate                                                                 | 40                               | 9              |
| Other investments                                                           | 503                              | 335            |
| Cost of investments acquired                                                | <u>14,511</u>                    | <u>14,654</u>  |
| Net increase in policy loans, net of repayments                             | 107                              | 128            |
| Net cash used in investing activities                                       | <u>(2,350)</u>                   | <u>(2,820)</u> |
| <b>Cash from financing:</b>                                                 |                                  |                |
| Cash provided:                                                              |                                  |                |
| Surplus note                                                                | -                                | 449            |
| Net deposits on deposit-type contracts and other insurance liabilities      | 5                                | 12             |
| Net cash provided by financing and miscellaneous sources                    | <u>5</u>                         | <u>461</u>     |
| <b>Net increase in cash and short-term investments</b>                      | 13                               | 134            |
| <b>Cash, cash equivalents and short-term investments, beginning of year</b> | 765                              | 631            |
| <b>Cash, cash equivalents and short-term investments, end of year</b>       | <u>\$ 778</u>                    | <u>\$ 765</u>  |

See notes to statutory basis financial statements.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 1 – ORGANIZATION

The Guardian Life Insurance Company of America (“Guardian” or the “Company”) provides financial services to customers throughout the United States. The Company provides a full range of insurance, investment, securities brokerage and other financial products and services including individual life and disability insurance, group life and health insurance, annuities, mutual funds, pension and retirement related investments and administration, asset management and securities brokerage.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation:**

The accompanying statutory basis financial statements have been prepared on the basis of accounting practices prescribed or permitted by the New York State Department of Financial Services (the “Department”), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (“GAAP”). Insurance companies domiciled in New York are required to prepare statutory basis financial statements in accordance with the National Association of Insurance Commissioners’ (“NAIC”) Accounting Practices and Procedures manual (“NAIC SAP”), subject to certain deviations prescribed or permitted by the Department.

The Department recognizes only statutory accounting practices prescribed or permitted by the state of New York for determining and reporting the financial condition and results of operations of an insurance company (“New York SAP”). The NAIC promulgates the NAIC SAP, which include accounting guidelines referred to as Statements of Statutory Accounting Principles (“SSAPs”). The Department adopted NAIC SAP with certain modifications, through the passage of Regulation 172, effective January 1, 2001, as amended.

A reconciliation of the Company’s net income and surplus at December 31, 2015 and 2014 between NAIC SAP and practices prescribed by the State of New York is shown below:

|                                                     | <u>2015</u>   | <u>2014</u>   |
|-----------------------------------------------------|---------------|---------------|
| Statutory Net Income, New York basis                | \$ 433        | \$ 712        |
| State Prescribed Practices:                         |               |               |
| Deferred premiums asset impact (1)                  | 11            | 6             |
| Admission of unearned reinsurance premium asset (2) | <u>(6)</u>    | <u>(9)</u>    |
| Statutory Net Income, NAIC SAP basis                | \$ <u>438</u> | \$ <u>709</u> |

|                                                     | <u>2015</u>     | <u>2014</u>     |
|-----------------------------------------------------|-----------------|-----------------|
| Statutory Surplus, New York basis                   | \$ 6,090        | \$ 5,692        |
| State Prescribed Practices:                         |                 |                 |
| Deferred premiums asset impact (1)                  | 122             | 108             |
| Admission of unearned reinsurance premium asset (2) | <u>(49)</u>     | <u>(42)</u>     |
| Statutory Surplus, NAIC SAP basis                   | \$ <u>6,163</u> | \$ <u>5,758</u> |

1) Department Circular Letter No. 11

2) Department Regulation 172



# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial statements prepared on a New York SAP basis vary from financial statements prepared in accordance with GAAP primarily because on a statutory basis: 1) costs related to acquiring business, principally commissions and certain policy issue expenses, are charged to income in the year incurred; 2) life insurance and annuity reserves are based on statutory mortality and interest requirements, without consideration of withdrawals and company experience; 3) life insurance enterprises are required to establish a formula-based asset valuation reserve (“AVR”) by a direct charge to surplus to offset potential investment losses; 4) realized gains and losses resulting from changes in interest rates on fixed income investments are deferred in the interest maintenance reserve (“IMR”) and amortized into investment income over the remaining life of the investment sold; 5) bonds are carried principally at amortized cost; 6) certain reinsurance transactions are accounted for as reinsurance for statutory purposes and as financing transactions under GAAP, and assets and liabilities are reported net of reinsurance for statutory purposes and gross of reinsurance for GAAP; 7) certain “non-admitted assets” (furniture and office equipment, leasehold improvements, capitalized internally developed non-operating system software, and prepaid pension costs) must be excluded under statutory reporting through a charge to surplus; 8) investments in common stock of the Company’s wholly-owned and majority owned subsidiaries are accounted for using the equity method, where earnings of such subsidiaries are recognized in surplus; only when dividends are distributed is income recognized; 9) gross deferred tax assets and changes in deferred tax assets (“DTAs”) and liabilities (“DTL’s”), except those relating to changes in unrealized gains and losses, are recognized as a separate component of surplus. Deferred tax assets not meeting certain criteria are non-admitted; 10) investments in real estate joint ventures that are reported as Other invested assets, where the Company has a controlling financial interest, are accounted for using the equity method for statutory purposes and consolidated under GAAP; and 11) if in the aggregate, the Company has a net negative cash balance, it is reported as a negative asset for statutory purposes and recorded as a liability under GAAP. The effect on the financial statements of the Company from the differences between New York SAP and GAAP are material and disclosed in Note 19.

#### Use of Estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As a provider of life insurance products, the Company’s operating results in any given period depend on estimates of policy reserves required to provide for future policyholder benefits. The development of policy reserves for insurance and investment contracts requires management to make estimates and assumptions regarding mortality, lapse, expense and investment experience. Such estimates are primarily based on historical experience and, in many cases, state insurance laws that require specific mortality, morbidity, and investment assumptions to be used by the Company and may preclude the use of lapse and expense assumptions. Actual future results could differ from these estimates. Management monitors actual experience, and where circumstances warrant, revises its assumptions and the related reserve estimates. The Company regularly invests in mortgage loans, mortgage-backed securities and other securities subject to prepayment and/or call risk. Significant changes in prevailing interest rates and/or geographic conditions may adversely affect the timing and amount of cash flows on such investments, as well as their related values. In addition, the amortization of market premium and accretion of market discount for mortgage-backed securities is based on historical experience and estimates of future payment experience underlying mortgage loans. Actual prepayment timing could differ from original estimates resulting in adjustments to asset values and amortization or accretion recorded in future periods.

#### Admitted Assets:

Assets are stated at “admitted asset” values, which are values required by or permitted to be reported to the Department in accordance with its rules and regulations. Certain assets designated as “non-admitted assets” (approximately \$305 million and \$360 million at December 31, 2015 and December 31, 2014, respectively), consisting principally of deferred tax assets, leasehold improvements, electronic data processing equipment and computer software, and prepaid pension costs are charged directly to unassigned surplus.

#### Investments:

See Note 3 and Note 4 regarding the accounting policy, reported statement value and estimated fair value of the Company’s investment in bonds, common and preferred stocks, mortgage loans, real estate and derivatives.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Cash, Cash Equivalents and Short-Term Investments:**

Cash includes amounts on deposit with banks. Cash equivalents are stated at amortized cost and consist of investments having maturities of three months or less at time of purchase. Certain short-term investments, including Money Market Funds, are stated at amortized cost and consist primarily of investments having maturities greater than three months from date of purchase, but less than one year to maturity. Fair values for such investments approximate carrying value, because of the relatively short period of time between their origination and expected maturity and collectability.

#### **Policy Loans:**

Policy loans are stated at unpaid principal balance. The carrying amount approximates fair value since loans on policies have no defined maturity date and reduce the amount payable at death or at surrender of the contract.

#### **Other Invested Assets:**

Other invested assets consist primarily of joint ventures, limited liability companies and other forms of partnerships. These investments are valued at the Company's share of equity in the partnerships' or joint ventures' net assets. All distributions are recorded as income or return of capital based on information received from the partnerships. The change in equity is recorded as unrealized gains (losses) on the Company's books and is charged directly to surplus.

#### **Other Assets:**

Other assets consist primarily of receivables from subsidiaries (see Note 11), receivables related to reinsurance ceded (see Note 9), amounts receivable relating to Administrative Services Only ("ASO") uninsured plans, guaranty funds receivable, and electronic data processing equipment.

#### **Investment Reserves:**

In compliance with statutory requirements, the Company maintains the AVR and the IMR. The AVR is intended to stabilize policyholders' surplus against market fluctuations in the value of equities and credit related declines in the value of bonds, mortgage loans and equity investments. Changes in the AVR are recorded directly to surplus. The IMR defers net after-tax realized capital gains (losses) which result from changes in the overall level of interest rates for fixed income investments and amortizes these net capital gains (losses) into income over the remaining stated life of the investments sold. The Company uses the group method of calculating the IMR.

#### **Insurance Revenue and Expense Recognition:**

Life premiums are recognized as income over the premium-paying period of the related policies. Annuity considerations are recognized as revenue when received. Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts or policies. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Benefit payments to policyholders and beneficiaries include death benefits, disability benefits, matured endowments and surrender benefits and are charged to expense when incurred.

#### **Reserves for Policy Benefits:**

See Note 5 regarding the methods and assumptions used to establish the Company's reserves for future insurance policy benefits.

#### **Other Liabilities:**

Other liabilities consist primarily of general expenses due or accrued, liabilities for employees and agents, commissions payable, unearned investment income, amounts withheld or retained by the company as agent or trustee, miscellaneous reinsurance liabilities, assessments, and tax reserves liabilities.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Federal Income Taxes:**

The provision for federal income taxes is based on income from operations currently taxable. Realized gains and losses are reported net of the applicable federal income taxes. Deferred federal income tax assets are admitted to the extent they can be realized within three years subject to a 15% limitation of capital and surplus with increases or decreases reflected as adjustments to surplus (See Note 8). The Company is required to establish a tax loss contingency if it is more likely than not that a tax position will not be sustained. The amount of the contingency reserve is management's best estimate of the amount of the original tax benefit that could be reversed upon audit, unless the best estimate is greater than 50% of the original tax benefit, in which case the reserve is equal to the entire tax benefit.

#### **Dividends to Policyholders:**

The liability for dividends to policyholders principally consists of dividends expected-to-be paid during the subsequent year and are determined by means of formulas that reflect the relative contribution of each group of policies to the results of operations. Policyholder dividends are approved annually by the Board of Directors, and a portion of the policyholder dividends approved annually are guaranteed by the Board of Directors.

#### **Benefit Plans:**

The Company has non-contributory defined benefit pension plans covering substantially all employees and agents. The benefits are based primarily on years of service and compensation. Assets of the pension plans are invested in a diversified portfolio that primarily consists of corporate bonds and common stocks. All assets are managed by the Company or its affiliates.

#### **Reinsurance:**

The Company enters into reinsurance agreements in the normal course of its insurance business to reduce overall risk (see Note 9 for reinsurance ceded and Note 10 for reinsurance assumed). The Company remains liable for reinsurance ceded if the reinsurer fails to meet its obligation on the business it has assumed. The Company evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

#### **Net Investment Income and Capital Gains:**

Net investment income includes interest and dividends received or accrued on investments. It also includes amortization of any purchase premium or discount using the interest method, adjusted retrospectively or prospectively for any change in estimated yield to maturity. Investment income due and accrued that is deemed uncollectible is charged against net investment income in the period such determination is made. Net investment income is reduced by investment management expenses, interest expense on the Company's outstanding surplus note and real estate depreciation.

Realized investment gains and losses are reported in income based upon specific identification of securities sold. Realized losses include valuation adjustments for other-than-temporary declines in investments. Unrealized investment gains and losses on financial instruments carried at fair value represent changes in the reported fair value and are recorded directly to surplus.

#### **Assessments:**

Under state insurance guaranty fund laws, insurers doing business in a state can be assessed, up to prescribed limits, for certain obligations of insolvent insurance companies to policyholders and claimants. Amounts assessed to each company are typically related to its proportion of business written in each state. The Company's policy is to accrue assessments when the entity for which the insolvency relates has met its state of domicile's statutory definition of insolvency, the amount of the loss is reasonably estimable and the related premium upon which the assessment is based is written. In most states, the definition is met with a declaration of financial insolvency by a court of competent jurisdiction. In certain states there must also be a final order of liquidation. As of December 31, 2015 and December 31, 2014, the liability balance included in Other liabilities was \$2 million and \$5 million, respectively for assessments. Some states permit member insurers to recover assessments through full or partial premium tax offsets. The related premium tax offsets included in Other assets were \$10 million and \$16 million as of December 31, 2015 and December 31, 2014, respectively.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 3 – INVESTMENTS

#### **Bonds, Common Stocks and Preferred Stocks:**

Investments are valued in accordance with methods prescribed by the Securities Valuation Office of the NAIC (“SVO”). The Company obtains the fair value of financial instruments held in its portfolio that are either carried at fair value on the face of the financial statements or disclosed in the notes to the financial statements at fair value, from a number of sources. These sources include published market quotes for active market exchange traded instruments, third party pricing vendors, investment banks which are lead market makers in certain markets, broker quotes and the use of internal valuation models that use market observable inputs when available and Company derived inputs when external inputs are not available or deemed to be inaccurate. Unrealized gains and losses on investments carried at fair value are recorded directly in unassigned surplus. The investment portfolio is reviewed for investments that may have experienced a decline in value considered to be other-than-temporary. The Company considers several factors in determining whether other-than-temporary declines exist: duration and extent to which the fair value of the security has been less than cost; financial condition of the issuer; the near term prospects for recovery of the fair value of a security; discounted estimated future cash flows; and the intent and ability of the Company to hold the security to allow for an anticipated recovery in value. Impairments that are considered other-than-temporary are included in net realized capital gains. Valuation methods for the various types of investments held are as follows:

*Bonds* - Bonds are stated principally at amortized cost with bond premiums and discounts amortized using the scientific interest method. Those bonds which are rated 6 by the NAIC are reported at the lower of amortized cost or fair value. Mortgage-backed bonds are carried at amortized cost using the interest method considering anticipated prepayments at the date of purchase. Significant changes in future anticipated cash flows from the original purchase assumptions are accounted for using the retrospective and prospective adjustment method utilizing the Public Securities Association standard prepayment rates.

Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from issuers or broker-dealers through information services or internal estimates and are consistent with current interest rates and the economic environment.

The Company changes from the retrospective method to the prospective method when an other than temporary impairment has been recorded on a structured loan-backed security.

*Preferred stocks* - Preferred stocks are carried at amortized cost if they have an NAIC SVO rating of 1 to 3 or the lower of book value or fair value based on the rating of 4 to 6.

*Common stocks* - Common stocks of unaffiliated companies are stated at fair value, which is based on quoted market price. For common stocks without quoted market prices, fair value is estimated using independent pricing services or internally developed pricing models. Investments in subsidiaries are included in common stocks and are valued at equity in the underlying net assets. Undistributed earnings or losses of subsidiaries and unrealized appreciation or depreciation on common stocks are reflected as unrealized capital gains and losses directly in surplus.

*Foreign Currency Translation* - All of the Company’s insurance operations are conducted in the United States of America on a U.S. dollar-denominated basis. The Company does make bond, equity and other investments that are denominated in foreign currencies or issued by entities doing business in other countries. Investments denominated in a foreign currency are translated to U.S. dollars at each reporting date using then-current market foreign exchange rates. Translation gains or losses relating to fluctuations in market exchange rates are reported as a change in unrealized capital gains and losses until the related investment security is sold or matures, at which time a realized capital gain or loss is reported. Transactions denominated in a foreign currency, such as receipt of foreign-denominated interest or dividends, are translated to U.S. dollars based on the actual exchange rate at the time of the transaction.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

The amortized cost basis and estimated fair value of bonds and the cost basis and estimated fair value of preferred stock and common stocks at December 31, 2015 and December 31, 2014 is as follows:

|                                     | Amortized Cost/<br>Cost | Gross Unrealized |          | Estimated<br>Fair<br>Value |
|-------------------------------------|-------------------------|------------------|----------|----------------------------|
|                                     |                         | Gains            | (Losses) |                            |
| <b>December 31, 2015</b>            |                         | (In millions)    |          |                            |
| U.S. Government                     | \$ 1,644                | 18               | (17)     | \$ 1,645                   |
| All other Government                | 157                     | 7                | (4)      | 160                        |
| States, Territories and Possessions | 410                     | 52               | -        | 462                        |
| Political Subdivisions              | 275                     | 28               | -        | 303                        |
| Special revenue                     | 2,142                   | 202              | (4)      | 2,340                      |
| Industrial and Miscellaneous        | 27,000                  | 1,174            | (792)    | 27,382                     |
| Hybrid                              | 74                      | 4                | (3)      | 75                         |
| Affiliated Bonds                    | 14                      | -                | -        | 14                         |
| Total Bonds                         | \$ 31,716               | \$ 1,485         | \$ (820) | \$ 32,381                  |
| Common stocks - unaffiliated        | \$ 518                  | 25               | (53)     | \$ 490                     |
| Investment in subsidiaries          | 1,219                   | 9                | (262)    | 966                        |
| Total Common Stocks                 | 1,737                   | \$ 34            | \$ (315) | 1,456                      |
| Preferred Stocks - Perpetual        | \$ 167                  | 7                | (8)      | 166                        |
| Total Preferred Stocks              | 167                     | \$ 7             | \$ (8)   | 166                        |
| Total Common and Preferred Stocks   | \$ 1,904                | \$ 41            | \$ (323) | \$ 1,622                   |

|                                     | Amortized Cost/<br>Cost | Gross Unrealized |          | Estimated<br>Fair<br>Value |
|-------------------------------------|-------------------------|------------------|----------|----------------------------|
|                                     |                         | Gains            | (Losses) |                            |
| <b>December 31, 2014</b>            |                         | (In millions)    |          |                            |
| U.S. Government                     | \$ 1,315                | 49               | -        | \$ 1,364                   |
| All other Government                | 526                     | 33               | (4)      | 555                        |
| States, Territories and Possessions | 424                     | 69               | -        | 493                        |
| Political Subdivisions              | 277                     | 37               | -        | 314                        |
| Special revenue                     | 2,028                   | 294              | (30)     | 2,292                      |
| Industrial and Miscellaneous        | 24,976                  | 2,246            | (179)    | 27,043                     |
| Hybrid                              | 107                     | 11               | -        | 118                        |
| Total Bonds                         | \$ 29,653               | \$ 2,739         | \$ (213) | \$ 32,179                  |
| Common stocks - unaffiliated        | \$ 521                  | 39               | (36)     | \$ 524                     |
| Investment in subsidiaries          | 1,243                   | 4                | (241)    | 1,006                      |
| Total Common Stocks                 | 1,764                   | 43               | (277)    | 1,530                      |
| Preferred Stocks - Perpetual        | \$ 119                  | 15               | (5)      | 129                        |
| Total Preferred Stocks              | 119                     | \$ 15            | \$ (5)   | 129                        |
| Total Common and Preferred Stocks   | \$ 1,883                | \$ 58            | \$ (282) | \$ 1,659                   |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

The Company invests in high quality securities that are diversified by asset class, issuer and industry. At December 31, 2015 approximately 5.2% of the portfolio is invested in securities issued or backed by the United States Government or its agencies. No other single issuer accounts for more than 1.3% of the portfolio at December 31, 2015.

The amortized cost and estimated fair value of debt securities at December 31, 2015 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations.

|                                                                               | <b>2015</b>               |                                     |
|-------------------------------------------------------------------------------|---------------------------|-------------------------------------|
|                                                                               | <b>Amortized<br/>Cost</b> | <b>Estimated<br/>Fair<br/>Value</b> |
|                                                                               | (In millions)             |                                     |
| Due in one year or less                                                       | \$ 314                    | \$ 347                              |
| Due after one year through five years                                         | 4,206                     | 4,422                               |
| Due after five years through ten years                                        | 10,013                    | 9,978                               |
| Due after ten years                                                           | 12,344                    | 12,594                              |
| Sinking fund bonds, mortgage backed<br>securities and asset backed securities | 4,839                     | 5,040                               |
| Total                                                                         | <u>\$ 31,716</u>          | <u>\$ 32,381</u>                    |

The net change in unrealized holding losses included in surplus for year ended December 31, 2015 and 2014 is summarized as follows:

|                                                                      | <b>2015</b>   | <b>2014</b>     |
|----------------------------------------------------------------------|---------------|-----------------|
|                                                                      | (In millions) |                 |
| Changes in net unrealized capital gains (losses)<br>attributable to: |               |                 |
| Bonds (NAIC 6 rated)                                                 | \$ -          | \$ (2)          |
| Preferred Stocks (NAIC 4, 5 and 6 rated)                             | (1)           | (5)             |
| Common stocks unaffiliated                                           | (31)          | 4               |
| Common stocks affiliated                                             | (22)          | (275)           |
| Foreign currency translation                                         | 58            | (69)            |
| Other (mainly private equities)                                      | 84            | 54              |
| Total change in net unrealized capital gains (losses)                | 88            | (293)           |
| Tax expense                                                          | (27)          | (14)            |
| Total change in net unrealized gains (losses), net of tax            | <u>\$ 61</u>  | <u>\$ (307)</u> |

Proceeds from sales of investments in bonds amounted to \$9,248 million and \$9,708 million for the years ended December 31, 2015 and 2014, respectively. Gross gains of \$359 million and \$375 million and gross losses of \$236 million and \$123 million were realized on sales of bonds for the years ended December 31, 2015 and 2014, respectively. These amounts are pre-tax and pre-IMR.

Proceeds from sales of investments in common stock amounted to \$212 million and \$215 million for the years ended December 31, 2015 and 2014, respectively. Gross gains of \$18 million and \$12 million and gross losses of \$18 million and \$24 million were realized on sales of common stock for the years ended December 31, 2015 and 2014, respectively. These amounts are pre-tax.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

Proceeds from sales of investments in preferred stock amounted to \$59 million and \$39 million for the years ended December 31, 2015 and 2014, respectively. Gross gains of \$10 million and \$0.2 million and gross losses of \$9 million and \$1 million were realized on sales of preferred stocks in December 31, 2015 and 2014, respectively. These amounts are pre-tax and pre-IMR.

During 2015, the Company restructured one bank loan. The book value at the time of restructure was \$14 million and a \$10 million impairment was taken at the time of restructure. The carrying value of the bond was \$4 million for the year ended December 31, 2015. During 2014, the Company restructured one private placement bond. The book value at the time of restructure was \$25 million and a \$1.8 million impairment was taken at the time of restructure. This private placement bond was subsequently sold during 2014 and generated a realized loss of \$8 million.

During 2015 and 2014 the Company had non-cash transactions related to the exchange or conversion of bonds that it held as investments in the amount of \$739 million and \$344 million.

During 2015 and 2014 the Company had non-cash transactions related to the exchange or merger activity related to common stock that it held as investments in the amount of \$3 million and \$10 million.

During 2015 and 2014 the Company had non-cash transactions related to the exchange or conversion of preferred stock that it held as investments in the amount of \$6 million and \$22 million.

#### Unrealized Losses:

The Company's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2015 and December 31, 2014 are shown below:

| <u>December 31, 2015</u><br>(In millions) | <u>Less than 12 Months</u> |                      | <u>12 Months or More</u> |                      | <u>Total</u>  |                      |
|-------------------------------------------|----------------------------|----------------------|--------------------------|----------------------|---------------|----------------------|
|                                           | Fair<br>Value              | Unrealized<br>Losses | Fair<br>Value            | Unrealized<br>Losses | Fair<br>Value | Unrealized<br>Losses |
| U.S. Government                           | \$ 1,113                   | \$ (17)              | \$ 1                     | \$ -                 | \$ 1,114      | \$ (17)              |
| All other Government                      | 76                         | (4)                  | -                        | -                    | 76            | (4)                  |
| States, Territories and Possessions       | 41                         | -                    | -                        | -                    | 41            | -                    |
| Special Revenue                           | 203                        | (3)                  | 9                        | (1)                  | 212           | (4)                  |
| Industrial and Miscellaneous              | 10,915                     | (652)                | 773                      | (140)                | 11,688        | (792)                |
| Hybrid                                    | 30                         | (3)                  | -                        | -                    | 30            | (3)                  |
| Total Bonds                               | \$ 12,378                  | \$ (679)             | \$ 783                   | \$ (141)             | \$ 13,161     | \$ (820)             |
| Preferred stocks                          | 72                         | (8)                  | 3                        | -                    | 75            | (8)                  |
| Common stocks - unaffiliated              | 211                        | (14)                 | 108                      | (39)                 | 319           | (53)                 |
| Total temporarily<br>impaired securities  | \$ 12,661                  | \$ (701)             | \$ 894                   | \$ (180)             | \$ 13,555     | \$ (881)             |

Note: The unrealized losses in the above table include \$6 million for NAIC 6 Rated Preferred Stocks.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

| <u>December 31, 2014</u><br>(In millions) | <u>Less than 12 Months</u> |            | <u>12 Months or More</u> |            | <u>Total</u> |            |
|-------------------------------------------|----------------------------|------------|--------------------------|------------|--------------|------------|
|                                           | Fair                       | Unrealized | Fair                     | Unrealized | Fair         | Unrealized |
|                                           | Value                      | Losses     | Value                    | Losses     | Value        | Losses     |
| U.S. Government                           | \$ 126                     | \$ -       | \$ 5                     | \$ -       | \$ 131       | \$ -       |
| All other Government                      | 43                         | (3)        | 6                        | (1)        | 49           | (4)        |
| States, Territories and Possessions       | 6                          | -          | 6                        | -          | 12           | -          |
| Political Subdivisions                    | 12                         | -          | -                        | -          | 12           | -          |
| Special Revenue                           | 35                         | (18)       | 171                      | (12)       | 206          | (30)       |
| Industrial and Miscellaneous              | 3,242                      | (146)      | 915                      | (33)       | 4,157        | (179)      |
| Hybrid                                    | 4                          | -          | -                        | -          | 4            | -          |
| Total Bonds                               | \$ 3,468                   | \$ (167)   | \$ 1,103                 | \$ (46)    | \$ 4,571     | \$ (213)   |
| Preferred stocks                          | -                          | -          | 16                       | (5)        | 16           | (5)        |
| Common stocks - unaffiliated              | 30                         | (5)        | 166                      | (31)       | 196          | (36)       |
| Total temporarily<br>impaired securities  | 3,498                      | (172)      | 1,285                    | (82)       | 4,783        | (254)      |

Note: The unrealized losses in the above table include \$4.9 million for NAIC 6 Rated Preferred Stocks.

The Company's investment portfolio includes individual securities that are in an unrealized loss position and have not been recognized as other-than-temporary impairments. There were eight hundred and seventy securities in an unrealized loss position for greater than 12 months with a book value of \$1,074 million and a fair value of \$894 million as of December 31, 2015. There were three hundred and sixty securities in an unrealized loss position for greater than 12 months with a book value of \$1,367 million and a fair value of \$1,285 million as of December 31, 2014.

In reaching the conclusion that these impairments are not other-than-temporary, management considered many factors including: duration and severity of impairment, discounted cash flow analysis, investment sector stability, creditworthiness, financial condition of issuer, and intent and ability to hold to allow for recovery in value.



# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 3 – INVESTMENTS (CONTINUED)

#### **Mortgage Loans:**

Mortgage loans are valued at amortized cost. Valuation reserves are established for potential declines in the value of the mortgage loans. As of December 31, 2015 and December 31, 2014 there were no valuation reserves established for any of the Company's mortgage loans. Other-than-temporary impairments on loans are charged to net realized capital losses and are not adjusted for subsequent recoveries in value. There were no Other-than-temporary impairments on mortgage loans were \$0 million for the years ended December 31, 2015 and 2014, respectively.

The Company's investments in mortgage loans on real estate consist principally of loans on commercial and cooperative residential real estate properties. The largest concentrations of commercial real estate mortgage loans are for properties located in California and Virginia (\$1,058 million or 31.22% and \$228 million or 6.72%) at December 31, 2015. The largest concentrations of commercial real estate mortgage loans are for properties located in California and Virginia (\$918 million or 30.14% and \$237 million or 7.78%) at December 31, 2014. The Company estimates the fair value of mortgage loans on real estate to be \$3,538 million and \$3,268 million at December 31, 2015 and December 31, 2014, respectively. Fair value was determined based upon the present value of the scheduled future cash flows of each loan based on the average term to maturity discounted at the appropriate U.S. Treasury rate, adjusted for the current market spread for a similar quality mortgage. The minimum and maximum range of lending rates on new mortgage loans were between 3.290% and 4.260% originated during 2015. The maximum percentage of any single mortgage loan to the value of the security originated in 2015 was 65.69% at origination date.

Interest received on impaired loans that were previously modified in a troubled debt restructuring is either applied against the principal or reported as revenue according to management's judgment as to the collectability of principal. There were no mortgages with interest more than 180 days past due at December 31, 2015 or December 31, 2014, respectively.

Management monitors its mortgage loan portfolio on an ongoing basis for events or circumstances that could indicate that it will not receive all of its contractually due principal and interest payments in accordance with the loan agreements. In May and November of each year, the entire portfolio is screened based on debt service coverage, loan to value ratio, delinquency over 90 days and if there are indications that balloon payments due at maturity will not be made to determine if any other than temporary impairments might need to be recorded.

During 2015 and 2014, there were no mortgage loans impaired.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

The following table set forth the credit quality indicators as of December 31, 2015 and December 31, 2014, based upon the recorded investment gross of allowance for credit losses.

#### Mortgage Loans

|                            | Debt Service Coverage Ratio - December 31, 2015 |               |               |               |               |                   |                 |
|----------------------------|-------------------------------------------------|---------------|---------------|---------------|---------------|-------------------|-----------------|
|                            | Greater than<br>2.0X                            | 1.8X to 2.0X  | 1.5X to <1.8X | 1.2X to <1.5X | 1.0X to <1.2X | Less than<br>1.0X | Grand Total     |
| <b>Loan-to-Value Ratio</b> |                                                 |               |               |               |               |                   |                 |
| 0% - 49.99%                | \$ 549                                          | \$ 126        | \$ 39         | \$ 97         | \$ 16         | \$ 4              | \$ 831          |
| 50% - 59.99%               | 346                                             | 81            | 451           | 200           | 35            | -                 | 1,113           |
| 60% - 69.99%               | 464                                             | -             | 282           | 293           | 16            | 5                 | 1,060           |
| 70% - 79.99%               | 28                                              | 28            | -             | 119           | 141           | 7                 | 323             |
| 80% - 89.99%               | -                                               | -             | -             | -             | 5             | 13                | 18              |
| 90% - 100%                 | 18                                              | 22            | -             | -             | -             | 3                 | 43              |
| Greater than 100%          | -                                               | -             | -             | -             | -             | -                 | -               |
| <b>Total</b>               | <b>\$ 1,405</b>                                 | <b>\$ 257</b> | <b>\$ 772</b> | <b>\$ 709</b> | <b>\$ 213</b> | <b>\$ 32</b>      | <b>\$ 3,388</b> |

#### Mortgage Loans

|                            | Debt Service Coverage Ratio - December 31, 2014 |               |               |               |               |                   |                 |
|----------------------------|-------------------------------------------------|---------------|---------------|---------------|---------------|-------------------|-----------------|
|                            | Greater than<br>2.0X                            | 1.8X to 2.0X  | 1.5X to <1.8X | 1.2X to <1.5X | 1.0X to <1.2X | Less than<br>1.0X | Grand Total     |
| <b>Loan-to-Value Ratio</b> |                                                 |               |               |               |               |                   |                 |
| 0% - 49.99%                | \$ 478                                          | \$ 160        | \$ 88         | \$ 107        | \$ 21         | \$ 5              | \$ 859          |
| 50% - 59.99%               | 268                                             | 119           | 296           | 151           | 43            | -                 | 877             |
| 60% - 69.99%               | 160                                             | 2             | 82            | 284           | 36            | -                 | 564             |
| 70% - 79.99%               | 64                                              | -             | 54            | 323           | 60            | 10                | 511             |
| 80% - 89.99%               | -                                               | -             | 9             | -             | 172           | 19                | 200             |
| 90% - 100%                 | 18                                              | -             | -             | 2             | -             | 15                | 35              |
| Greater than 100%          | -                                               | -             | -             | -             | -             | -                 | -               |
| <b>Total</b>               | <b>\$ 988</b>                                   | <b>\$ 281</b> | <b>\$ 529</b> | <b>\$ 867</b> | <b>\$ 332</b> | <b>\$ 49</b>      | <b>\$ 3,046</b> |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

#### Real Estate:

Real estate investments are reported in the financial statements at cost, less any valuation adjustment, encumbrances and accumulated depreciation of buildings and other improvements using a straight line method over a 40 year period for the buildings and the estimated useful life of the improvements. An investment in real estate is considered impaired when the projected undiscounted net cash flow from the investment is less than depreciated cost. When the Company determines that an investment in real estate is impaired, a valuation adjustment is made to reduce the carrying value to estimated fair value, after encumbrances, based on appraisal of the property. The valuation adjustment is included in realized gains (losses).

Real estate was comprised of the following for the years ended December 31, 2015 and December 31, 2014:

|                                    | <u>2015</u>   | <u>2014</u>   |
|------------------------------------|---------------|---------------|
|                                    | (In millions) |               |
| Investment real estate             | \$ 415        | \$ 130        |
| Properties held for sale           | <u>3</u>      | <u>-</u>      |
| Total investment properties        | 418           | 130           |
| Properties occupied by the Company | <u>12</u>     | <u>19</u>     |
| Total real estate                  | <u>\$ 430</u> | <u>\$ 149</u> |

Effective January 1, 2015, per the revised guidance contained in SSAP No.40 (Revised) – Real Estate Investments (“SSAP 40R”), a single real estate property investment that is wholly-owned by a limited liability company (“LLC”) and that is directly owned and wholly-owned by the reporting insurance entity is to be classified on the Statutory Basis Balance Sheets as Real estate. In order to meet this requirement the Company reclassified fifteen single property joint venture limited liability companies that it directly and wholly owns from Other invested assets to Real estate on its Statutory Basis Balance Sheets in the first quarter of 2015. The carrying amount of these joint venture limited liability companies was \$270 million at the time of transfer.

The Company had accumulated depreciation totaling \$114 million and \$61 million at December 31, 2015 and December 31, 2014, respectively. The Company recorded depreciation expense of \$20 million for 2015 and \$5 million for 2014. There were two properties with carrying value of \$21 million, above their combined fair value of \$17 million at December 31, 2015. There were two properties with carrying value of \$21 million, above their combined fair value of \$18 million at December 31, 2014. There were no other-than-temporary impairments taken on real estate in 2015 or 2014. The fair values were determined by a third party and internal appraisals. As of December 31, 2015 the Company had one property held for sale with carrying value of \$3 million.

#### Special Deposits:

Assets of \$9 million at December 31, 2015 and 2014, respectively were on deposit with governmental authorities or trustees as required by certain insurance laws and are included within invested assets in the accompany Statutory Basis Balance Sheets.

#### Investment in Subsidiaries:

Investment in affiliated limited liability subsidiaries are included in Other invested assets while investment in all other subsidiaries are included in Common stocks on the Statutory Basis Balance Sheets and totaled \$1,590 million and \$1,680 million at December 31, 2015 and December 31, 2014, respectively.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 3 – INVESTMENTS (CONTINUED)

The Company's major subsidiaries are as follows:

Guardian Insurance and Annuity Company ("GIAC") is a stock life insurance company organized primarily for the sale of equity-based products, including variable life, variable annuities and other lines of insurance. For variable products, contracts are sold by insurance agents who are licensed by Park Avenue Securities LLC ("PAS"), wholly-owned by GIAC, and are either registered representatives of PAS or of broker-dealer firms that have entered into sales agreements with GIAC and PAS.

Berkshire Life Insurance Company of America ("BLICOA") is a stock life company whose primary business is the sale and administration of disability insurance business.

Park Avenue Life Insurance Company ("PALIC") was purchased by the Company during 1996. PALIC's primary business is the administration of life insurance business (principally term and universal life products). Although PALIC is licensed in 48 states and the District of Columbia, it does not currently write new business.

First Commonwealth, Inc. ("FCW") is a provider of managed dental benefits in the upper Midwest, including the metropolitan areas of Chicago, Milwaukee, St. Louis and Detroit. FCW provides dental care coverage and/or arranges for dental care services to be provided to its subscribers primarily on a prepaid basis. FCW also provides indemnity/Preferred Provider Organization ("PPO") dental coverage, administrative claim services, and absence management services. In 2014, FCW became a provider of managed dental benefits in California, Utah and Nevada. On July 31, 2014, FCW acquired 100% interest in Premier Access Insurance Company and its affiliates at a purchase price of \$254 million in cash. The total net assets were \$270 million including goodwill and intangible assets of \$232 million.

Guardian Investor Services ("GIS") provides investment advisory services and related services to the RS Investment Trust (mutual funds), RS Variable Products Trust (variable investment trusts), private investment unit trust, institutional and other clients.

- On December 31, 2015, GIS acquired 100% interest in Aon Hewitt's Absence Management Business at a purchase price of \$155 million in cash. The total net assets were \$155 million including goodwill of \$144 million.
- On August 31, 2006, GIS acquired a 65% interest in RS Investments Management Co. LLC ("RS"), a privately-held San Francisco investment management firm specializing in growth and value mutual funds and institutional accounts. On December 17, 2015, GIS entered into a definitive agreement to sell its majority interest (as of December 31, 2015, GIS owns a 94.0% interest in RS) in RS to Victory Capital. As a result of the sale agreement GIS recorded a realized loss of \$151 million related to an impairment in RS as a result of a decline in fair value considered to be other-than-temporary. This decline in fair value is reflected in Other invested assets. The transaction, which is subject to customary closing conditions and regulatory approvals, is expected to close at the end of the second quarter of 2016.
- The sales price is subject to further adjustment based on the management fee calculation at closing. The management fee calculation is impacted by deposits or redemptions through the closing date therefore the ultimate loss is dependent on investor behavior through the closing date.
- Park Avenue Institutional Advisers ("PAIA"), a wholly-owned subsidiary of GIS, provides investment advisory services and related services to the RS Investment Trust (mutual funds), RS Variable Products Trust (variable investment trusts), private investment unit trust, institutional and other clients.

The Company sold its interest in eMoney Advisor Holdings, LLC ("eMoney Holdings") on March 6, 2015, realizing a gain of \$150 million.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

Selected financial information for the Company's significant subsidiaries is highlighted below:

|                                 | <u>2015</u>   | <u>2014</u> |
|---------------------------------|---------------|-------------|
|                                 | (In millions) |             |
| <b>GIAC (Statutory basis)</b>   |               |             |
| Total assets                    | \$ 15,887     | \$ 15,658   |
| Total liabilities               | 15,627        | 15,431      |
| Net loss                        | \$ (28)       | \$ -        |
| <b>BLICOA (Statutory basis)</b> |               |             |
| Total assets                    | \$ 3,381      | \$ 3,377    |
| Total liabilities               | 3,173         | 3,108       |
| Net income                      | \$ 14         | \$ 17       |
| <b>PALIC (Statutory basis)</b>  |               |             |
| Total assets                    | \$ 269        | \$ 305      |
| Total liabilities               | 218           | 230         |
| Net income                      | \$ 5          | \$ 2        |
| <b>FCW (GAAP basis)</b>         |               |             |
| Total assets                    | \$ 550        | \$ 529      |
| Total liabilities               | 81            | 73          |
| Net income                      | \$ 21         | \$ 10       |
| <b>GIS (GAAP basis)</b>         |               |             |
| Total assets                    | \$ 867        | \$ 676      |
| Total liabilities               | 300           | 84          |
| Net (loss) income               | \$ (150)      | \$ 21       |

### Investment in Subsidiaries

The following table provides additional information on non-insurance subsidiaries.

| Description of SCA Investment<br>(excluding US Insurance SCA) | Gross Amount  | Nonadmitted<br>Amount | Admitted Asset<br>Amount | Date of Filing<br>to NAIC<br>(In millions) | Type of NAIC Filing<br>(Sub-1, Sub-2, or<br>Resubmission of<br>Disallowed Filing) | NAIC<br>Response<br>Received<br>(yes/no) | NAIC<br>Valuation<br>(Amount) | NAIC Disallowed<br>Entity's Valuation<br>Method, Resubmission<br>Required<br>(yes/no) |
|---------------------------------------------------------------|---------------|-----------------------|--------------------------|--------------------------------------------|-----------------------------------------------------------------------------------|------------------------------------------|-------------------------------|---------------------------------------------------------------------------------------|
| Managed Dental Care of California                             | \$ 6          | \$ -                  | \$ 6                     | 12/11/15                                   | Sub-2                                                                             | Y                                        | \$ 5                          | no                                                                                    |
| First Commonwealth                                            | 438           | -                     | 438                      | 12/11/15                                   | Sub-2                                                                             | Y                                        | 420                           | no                                                                                    |
| Innovative Underwriters                                       | 6             | 6                     | -                        | n/a                                        | Sub-2                                                                             | n/a                                      | -                             | n/a                                                                                   |
| Guardian Investors Services, LLC                              | 533           | -                     | 533                      | n/a                                        | n/a                                                                               | n/a                                      | -                             | n/a                                                                                   |
| <b>Aggregate Total</b>                                        | <b>\$ 983</b> | <b>\$ 6</b>           | <b>\$ 977</b>            |                                            |                                                                                   |                                          | <b>\$ 425</b>                 |                                                                                       |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

#### NET INVESTMENT INCOME

Net investment income, including accrual of discounts and amortization of premiums, arose from the following sources for the years ended December 31, 2015 and December 31, 2014:

|                                 | <u>2015</u>            | <u>2014</u>              |
|---------------------------------|------------------------|--------------------------|
|                                 | (In millions)          |                          |
| Bonds                           | \$ 1,480               | \$ 1,406                 |
| Preferred stocks                | 8                      | 7                        |
| Unaffiliated common stocks      | 9                      | 16                       |
| Affiliated common stocks        | 35                     | 308                      |
| Mortgage loans                  | 159                    | 165                      |
| Real estate                     | 74                     | 25                       |
| Policy loans                    | 241                    | 232                      |
| Cash and short-term investments | 3                      | 1                        |
| Other (mainly private equities) | <u>165</u>             | <u>117</u>               |
| Gross investment income         | 2,174                  | 2,277                    |
| Less investment expenses        | <u>(189)</u>           | <u>(131)</u>             |
| Net investment income           | \$ <u><u>1,985</u></u> | \$ <u><u>2,146</u></u> * |

\*See Note 11 – Related Party Transactions

#### NET REALIZED CAPITAL GAINS (LOSSES)

Net realized capital gains (losses) were derived from the following sources for the years ended December 31, 2015 and December 31, 2014:

|                                           | <u>2015</u>           | <u>2014</u>         |
|-------------------------------------------|-----------------------|---------------------|
|                                           | (In millions)         |                     |
| Bonds                                     | \$ 9                  | \$ 268              |
| Preferred stocks                          | 1                     | (1)                 |
| Common stocks (unaffiliated & affiliated) | -                     | (13)                |
| Mortgage loans                            | -                     | (2)                 |
| Real estate                               | 2                     | -                   |
| Other invested assets                     | 93                    | 62                  |
| Derivatives and hedging gains (losses)    | 27                    | (5)                 |
| Other realized gains (losses)             | <u>(1)</u>            | <u>4</u>            |
| Total net realized capital gains          | 131                   | 313                 |
| Capital gains tax expense                 | (132)                 | (99)                |
| Transfer to IMR (net of tax)              | <u>(64)</u>           | <u>(137)</u>        |
| Net realized capital (losses) gains       | \$ <u><u>(65)</u></u> | \$ <u><u>77</u></u> |

The net realized capital gains figure above includes other-than-temporary impairment losses of \$188 million and \$2 million for the years ended December 31, 2015 and December 31, 2014, respectively. The \$188 million comprises of a \$151 million impairment related to the pending sale of RS, \$31 million related to bonds, \$5 million related to private equities, and \$1 million related to real estate funds.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 3 – INVESTMENTS (CONTINUED)

#### **Derivative Financial Instruments:**

The Company enters into derivative transactions in order to mitigate (“hedge”) certain risks pertaining to its assets, liabilities and surplus from fluctuations in interest rates, foreign currency exchange rates and market volatility. Derivatives are either exchange traded or contracted over-the-counter. The majority of the Company’s over-the-counter derivatives are bilateral contracts between the Company and a single counterparty. The Company’s remaining over-the-counter derivatives are cleared and settled through central clearing counterparties.

Derivatives that are designated as hedges for accounting purposes and meet the qualifications for hedge accounting are reported on a basis consistent with the asset or liability being hedged (i.e. at amortized cost). Derivatives that are used to mitigate risk but are not designated as hedges for accounting purposes or do not meet the qualifications for hedge accounting treatment are reported at fair value.

To qualify for hedge accounting the hedge relationship must be designated and formally documented at inception. This documentation details the risk management objective and strategy for the hedge, the derivative used in the hedge, the asset or liability being hedged, and the methodology for assessing hedge effectiveness. The hedge must also be “highly effective” with an assessment of its effectiveness performed both at inception and on an ongoing basis over the life of the hedge.

Derivative transactions expose the Company to the risk that the counterparty may not be able to fulfill its obligations under the terms set forth in the contract. The Company manages this counterparty risk by entering into transactions with counterparties that maintain a minimum credit rating, by performing ongoing review of a counterparties’ credit standing, by adhering to established limits for credit exposure to any single counterparty and is requiring collateral posting subject to thresholds and minimum transfer amounts in accordance with counterparty agreements to support credit risk associated with counterparty exposures which further reduces the company’s exposure to default by the counterparty. The Company is required to establish a margin account for all of its futures contracts. Any contract gains or losses due to the change in the value of futures are settled in cash on a daily basis. The Company does not offset the statement values for derivatives executed with the same counterparty, even if a master netting arrangement is in place. The Company also does not offset the right to claim collateral against the obligation to return such collateral.

The Company has no embedded credit derivatives that expose it to the possibility of being required to make future payments.

#### **Hedging – Designated As Hedging Instruments**

In 2014 the Company began to designate certain derivative transactions as accounting hedges. The Company designates and accounts for its foreign currency swaps as cash flow hedges and certain equity futures contracts related to the liability of its deferred compensation plan as fair value hedges.

*Foreign currency swaps* are used to mitigate the foreign exchange risk for investments for specifically identified private placement bonds denominated in foreign currencies over a period of up to 15 years. Foreign currency swaps obligated the Company and a counterparty to exchange the foreign currency denominated interest and principal payments receivable on foreign denominated bonds for U.S. dollar payments based on currency exchange rates specified at the inception of the transaction. Foreign exchange gains or losses on these contracts are reported as a change in unrealized gains or losses until the maturity or sale of the hedged foreign currency bond at which time a realized capital gain or loss is recognized.

*Equity index futures* are used to mitigate the change in value of the liability the Company has to participants in its deferred compensation plans that allocate their plan account balances to equity funds offered under the plan. Equity index futures obligate the Company to pay or to receive an amount based on a specified equity market index as of a future date applied to the notional amount of the contract. The change in the fair value of the futures contracts are recorded as income or expense which offsets the impact on gain from operation of the change in value of its deferred compensation liability. If the hedge is deemed to be ineffective for any period of time, the change in the fair value of the futures contracts for that time period is recorded in surplus as an unrealized gain or loss.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 3 – INVESTMENTS (CONTINUED)

#### **Hedging – Not Designated As Hedging Instruments**

The Company enters into other derivative transactions that mitigate economic risks but are not designated as a hedge for accounting purposes or do not qualify for hedge accounting treatment. These derivative instruments are reported at fair value in the balance sheet as either other invested assets or other liabilities. Changes in the fair value of these instruments are reported as a change in unrealized capital gains or losses until the maturity or termination of the contract, at which time a realized capital gain or loss is recorded.

*Treasury futures* are used to mitigate interest rate risk pertaining to guaranteed minimum benefit liability associated with one of the Company's products. Treasury futures obligate the Company to take or receive delivery of certain Treasury Bonds at a specified price at a future date.

*Foreign currency futures* are used to mitigate the foreign exchange risk of investments in foreign denominated bonds securities. Foreign currency futures are exchange traded and settled daily. Foreign currency futures obligate the Company to exchange a specified amount of foreign currency at a specified rate on a future date.

*Equity index futures* are used to mitigate market fluctuations of the Company's portfolio of unaffiliated common stock and other mark to market assets and to minimize the volatility associated with certain liabilities. Equity index futures obligate the Company to pay or receive from a counterparty a cash amount based on a specified equity market index at a predefined price as of a future date applied to the notional amount of the contracts.

All of the futures contracts that the Company has entered into are exchange traded. Margin payments are required for futures contract and contract gains or losses are settled daily in cash, therefore the futures contracts are carried at zero value on the Company's balance sheets. The contract amount of futures contracts represents the extent of the Company's involvement, but not future cash requirements, as open positions are typically closed out prior to the delivery date of the contract.

*Foreign currency forwards* are used to mitigate the foreign exchange risk for investments in foreign denominated bonds or foreign denominated equity investments. Foreign currency forwards obligate the Company and the counterparty to exchange U.S. dollars and another currency at a specified future date and at a specified price.

#### **Replications**

The Company enters into credit default swap ("CDS") derivative transactions in which it sells credit default protection on a bond in return for a premium paid by the counterparty. Statutory accounting guidance requires a cash instrument (high quality bond) with the same par value as the notional amount of the derivative and at least the same duration as the CDS to be held by the Company in order to cover the cost of default payments on the CDS should they occur. The combining of the CDS and the cash instrument creates the replication (synthetic bond). The Company enters into a replication transaction in order to gain exposure to a specific bond that it cannot obtain in the current market. If the replicated asset and cash instrument are carried at amortized cost so is the derivative. Otherwise, the derivative is carried at fair value.



# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

The effects of the Company's use of derivative instruments on the Balance Sheets and Statements of Operations:

| December 31, 2015                 | Notional<br>Amount | Statement Value |             | Change in<br>Unrealized Capital<br>Gains (Losses) | Net<br>Realized Capital<br>Gains (Losses) | Net<br>Investment<br>Income | Gain/(loss)<br>from<br>Operations |
|-----------------------------------|--------------------|-----------------|-------------|---------------------------------------------------|-------------------------------------------|-----------------------------|-----------------------------------|
|                                   |                    | Assets          | Liabilities |                                                   |                                           |                             |                                   |
|                                   |                    |                 |             | (in millions)                                     |                                           |                             |                                   |
| <u>Derivatives designated as</u>  |                    |                 |             |                                                   |                                           |                             |                                   |
| <u>hedging instruments:</u>       |                    |                 |             |                                                   |                                           |                             |                                   |
| Foreign currency swaps            | \$ 146             | \$ 9            | \$ -        | \$ 7                                              | \$ -                                      | \$ -                        | \$ -                              |
| Equity index futures              | -                  | -               | -           | -                                                 | -                                         | -                           | (3)                               |
| <u>Derivatives not designated</u> |                    |                 |             |                                                   |                                           |                             |                                   |
| <u>as hedging instruments:</u>    |                    |                 |             |                                                   |                                           |                             |                                   |
| Equity index futures              | -                  | -               | -           | 3                                                 | (4)                                       | -                           | -                                 |
| Currency forwards                 | -                  | -               | -           | (10)                                              | 32                                        | -                           | -                                 |
| Credit default swap               | 50                 | -               | 5           | -                                                 | (1)                                       | -                           | -                                 |
| Total derivatives                 | <u>\$ 196</u>      | <u>\$ 9</u>     | <u>\$ 5</u> | <u>\$ -</u>                                       | <u>\$ 27</u>                              | <u>\$ -</u>                 | <u>\$ (3)</u>                     |
|                                   |                    |                 |             |                                                   |                                           |                             |                                   |
| December 31, 2014                 | Notional<br>Amount | Statement Value |             | Change in<br>Unrealized Capital<br>Gains (Losses) | Net<br>Realized Capital<br>Gains (Losses) | Net<br>Investment<br>Income | Gain/(loss)<br>from<br>Operations |
|                                   |                    | Assets          | Liabilities |                                                   |                                           |                             |                                   |
|                                   |                    |                 |             | (in millions)                                     |                                           |                             |                                   |
| <u>Derivatives designated as</u>  |                    |                 |             |                                                   |                                           |                             |                                   |
| <u>hedging instruments:</u>       |                    |                 |             |                                                   |                                           |                             |                                   |
| Foreign currency swaps            | \$ 45              | \$ 2            | \$ -        | \$ 2                                              | \$ -                                      | \$ -                        | \$ -                              |
| Equity index futures              | -                  | -               | -           | -                                                 | -                                         | -                           | 12                                |
| <u>Derivatives not designated</u> |                    |                 |             |                                                   |                                           |                             |                                   |
| <u>as hedging instruments:</u>    |                    |                 |             |                                                   |                                           |                             |                                   |
| Equity index futures              | -                  | -               | -           | (5)                                               | (3)                                       | -                           | -                                 |
| Currency forwards                 | 459                | 10              | -           | 12                                                | 1                                         | -                           | -                                 |
| Foreign currency swaps            | -                  | -               | -           | 3                                                 | (3)                                       | -                           | -                                 |
| Total derivatives                 | <u>\$ 504</u>      | <u>\$ 12</u>    | <u>\$ -</u> | <u>\$ 12</u>                                      | <u>\$ (5)</u>                             | <u>\$ -</u>                 | <u>\$ 12</u>                      |

### Repurchase Agreements:

The Company periodically enters into repurchase agreements whereby securities will be resold at a specified date and price. There are no repurchase agreements as of December 31, 2015. There is one repurchase agreement as of December 31, 2014. Assets of \$5 million are included in the Statutory Basis Balance Sheets as Cash and cash equivalents as of December 31, 2014, were subject to repurchase. The Company's policy requires a minimum of 102% of the fair value of the borrowed securities as collateral calculated on a daily basis, in the form of either cash or securities. The collateral at December 31, 2014 consists of one US Treasury Note with a par value of \$5 million, a fair value (with accrued interest) of \$5 million, a coupon of 0.1% maturing on January 2, 2015.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 3 – INVESTMENTS (CONTINUED)

#### Reverse Repurchase Agreements:

The Company periodically enters into reverse repurchase arrangements whereby certain securities are loaned, primarily with major brokerage firms. The Company's policy requires a minimum of 95% of the fair value of the loaned securities as collateral, calculated on a daily basis, in the form of either cash or securities. Collateral assets received and related liabilities due counterparties are included in the Statutory Basis Balance Sheets as "Other Liabilities". There were no open reverse repurchase agreements on December 31, 2015 or December 31, 2014.

#### Securities Lending

There were no securities on loan at December 31, 2015 or December 31, 2014.

### NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Statutory guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's view of market assumptions based on internally developed data in the absence of observable market information. The guidance requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs when determining the fair value of an asset or liability. The statement classifies all assets and liabilities carried or disclosed at fair value in one of the following three categories:

Level 1 – inputs are quoted market prices available in active markets for identical assets or liabilities on the reporting date. Assets included in this category include common stock unaffiliated and derivative instruments actively traded on an exchange, and any actively traded registered mutual funds held directly by the general account.

Level 2 – inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model derived valuations whose inputs are observable or whose significant value drivers are observable. These types of instruments include fixed maturity instruments, common stock unaffiliated that is not actively traded preferred stocks and private placement securities.

Level 3 – inputs are unobservable where there is little or no market activity for the asset or liability and the Company makes estimates and assumptions based on internally derived information. Instruments held in this category include foreign equity (common stock unaffiliated) and certain private placement securities.

The estimated fair values presented below have been determined using available information and valuation methodologies. The estimated fair value for financial instruments held by the Company was determined by management after considering the following sources of information: published market quotes for active exchange traded instruments, third party pricing vendors, quotes from investment banks that are lead market makers in certain markets, independent broker quotations, or the use of internal valuation models that use market observable inputs when available and Company derived inputs when external inputs are not available or deemed to be inaccurate. Considerable judgment is applied in interpreting data to develop the estimates of fair value. Accordingly, such amounts are management's estimate of the value that would be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies from period to period based on available information and market conditions could have a material effect on the estimated fair values.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

#### **Bonds, preferred and common stocks:**

Estimated fair values for bonds, other than private placement securities, preferred stock and common stock are valued based on quoted prices from active markets when available (Level 1).

When the Company cannot obtain a quoted market price directly it relies on values provided by a third party pricing vendor. This is the pricing source for the majority of the Company's marketable securities. Prices received from a third party vendor are generally considered to be Level 2.

Pricing vendors utilize pricing models developed for individual asset classes which incorporate available market data. These market inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data which include market research publications. The pricing vendor may obtain broker quotes for securities when sufficient information is not available to fully evaluate a security. For broker-quoted only securities, quotes from market makers or broker-dealers are obtained from sources recognized to be market participants.

Portfolio managers review the values assigned by the pricing vendor for reasonableness. In doing so, they compare the prices received from the pricing vendor to prices of similar securities, price ranges in that asset class or industry or prices from internally generated position reports. If there is a discrepancy with the price received from the vendor, the portfolio manager may communicate this difference to the pricing vendor and present the vendor with additional market data regarding that security in order to insure the pricing vendor has sufficient information needed to accurately price the security. The pricing vendor will then independently validate and evaluate that data and determine if a price change is warranted.

In the rare instance when a portfolio manager finds a difference in his or her assessment of fair value and the vendor price, after performing the preceding procedures, the portfolio manager may request replacement of the vendor price by a supportable value that is believed to be more representative of the security price. Any replacement of the vendor price is subject to an internal approval process.

The fair values of private placement bonds are determined by using an internal pricing model or for a small amount of securities, assigned individual prices. These assigned individual prices are usually obtained from an external broker ("hand priced") and are considered to be Level 3.

The significant inputs used for the internal pricing model consist of (i) broker supplied price matrices, (ii) treasury rates and (iii) credit ratings from either a nationally recognized securities rating organization ("NRSRO") such as Standard & Poor or Moody's ("external ratings") or a credit rating assigned internally by the Company's Private Placement Investment Management Group ("internal ratings").

Private placement bonds with an external credit rating, or composite external credit rating, of BB or above, for which the corresponding matrix price is used, are classified as Level 2. If the external credit rating or composite external credit rating is below a BB the private placement bond is classified as Level 3.

Bonds are carried at amortized cost unless they are rated 6 by the NAIC SVO in which case they are reported at the lower of amortized cost or fair value. There were no bonds rated 6 by the NAIC SVO and carried at fair value on December 31, 2015 and December 31, 2014. Impaired bonds carried at fair value on December 31, 2015 and December 31, 2014 were \$12 million and \$0 million, respectively.

Preferred stock is carried at amortized cost if they have a NAIC SVO rating of 1, 2 or 3 and at lower or cost or fair value if the rating assigned is 4, 5 or 6. Preferred stocks rated 4, 5, 6 by the NAIC SVO and carried at fair value on December 31, 2015 and December 31, 2014 were \$14 million and \$4 million, respectively.

Unaffiliated common stocks are reported at fair value.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

#### **Derivatives:**

Derivative instruments are valued through the use of quoted market prices for exchange-traded derivatives (Level 1), third party pricing model and a third party pricing service for over-the-counter (“OTC”) traded derivatives (Level 2) and by using internally developed estimates and assumptions when no quoted market price or third party vendor price is available (Level 3).

The third party pricing model used to determine fair value, when quoted market values are not available, is based on market standard valuation methodologies and inputs that are assumed to be consistent with what market participants would use when pricing the instruments. The significant inputs to the pricing models for most over-the-counter derivatives are inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Significant observable inputs include: interest rates, foreign currency exchange rates, interest rate curves, credit curves and volatility.

The methodology used by the third party pricing service for derivative investments is the same as that described above under the bonds, preferred and common stocks section.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables summarize the Company's financial instruments carried at fair value by their fair value hierarchy levels for the period ending December 31, 2015 and December 31, 2014:

| <b>December 31, 2015</b>   |               |               |             |                  |                 |
|----------------------------|---------------|---------------|-------------|------------------|-----------------|
|                            | Level 1       | Level 2       | Level 3     | Total Fair Value | Carrying Amount |
| <b>Assets</b>              | (In millions) |               |             |                  |                 |
| Impaired Bonds             | \$ -          | \$ 4          | \$ 8        | \$ 12            | \$ 12           |
| NAIC 4,5,6 Preferred Stock | -             | 14            | -           | 14               | 14              |
| Common Stock               | 183           | 307           | -           | 490              | 490             |
| Derivative Instruments     | -             | 9             | -           | 9                | 9               |
| Total Assets               | <u>\$ 183</u> | <u>\$ 334</u> | <u>\$ 8</u> | <u>\$ 525</u>    | <u>\$ 525</u>   |
| <b>Liabilities</b>         |               |               |             |                  |                 |
| Derivative instruments     | <u>\$ -</u>   | <u>\$ 5</u>   | <u>\$ -</u> | <u>\$ 5</u>      | <u>\$ 5</u>     |
| Total Liabilities          | <u>\$ -</u>   | <u>\$ 5</u>   | <u>\$ -</u> | <u>\$ 5</u>      | <u>\$ 5</u>     |

| <b>December 31, 2014</b>   |               |               |             |                  |                 |
|----------------------------|---------------|---------------|-------------|------------------|-----------------|
|                            | Level 1       | Level 2       | Level 3     | Total Fair Value | Carrying Amount |
| <b>Assets</b>              | (In millions) |               |             |                  |                 |
| NAIC 4,5,6 Preferred Stock | \$ -          | \$ 4          | \$ -        | \$ 4             | \$ 4            |
| Common Stock               | 222           | 302           | -           | 524              | 524             |
| Derivative Instruments     | -             | 10            | -           | 10               | 10              |
| Total Assets               | <u>\$ 222</u> | <u>\$ 316</u> | <u>\$ -</u> | <u>\$ 538</u>    | <u>\$ 538</u>   |
| <b>Liabilities</b>         |               |               |             |                  |                 |
| Derivative instruments     | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u> | <u>\$ -</u>      | <u>\$ -</u>     |
| Total Liabilities          | <u>\$ -</u>   | <u>\$ -</u>   | <u>\$ -</u> | <u>\$ -</u>      | <u>\$ -</u>     |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

There were no financial instruments carried at fair value and classified as Level 3 for the year ended December 31, 2015:

| Level 3 Roll Forward<br><br>(In Millions)         | As of December 31, 2015 |                   |             |
|---------------------------------------------------|-------------------------|-------------------|-------------|
|                                                   | NAIC 6<br>Bonds         | Impaired<br>Bonds | Total       |
| Fair Value , beginning of period                  | \$ -                    | \$ -              | \$ -        |
| Total gains or (losses) (realized or unrealized): |                         |                   | -           |
| Included in net income                            | -                       | -                 | -           |
| Included in surplus                               | -                       | -                 | -           |
| Purchases, sales, issuances, and settlements:     |                         |                   | -           |
| Purchases                                         | -                       | -                 | -           |
| Sales                                             | -                       | -                 | -           |
| Issuances                                         | -                       | -                 | -           |
| Settlements                                       | -                       | -                 | -           |
| Transfers into Level 3                            | -                       | 8                 | 8           |
| Transfers out of Level 3                          | -                       | -                 | -           |
| Fair value, end of period                         | <u>\$ -</u>             | <u>\$ 8</u>       | <u>\$ 8</u> |

Transfers into and out of Level 3 are recognized at the end of the reporting period. During 2015 the Company transferred one security into Level 3 and none out of Level 3. The transfers in and out of level 3 were determined by the observable/unobservable inputs used in pricing the securities.

There were no financial instruments carried at fair value and classified as Level 3 for the year ended December 31, 2014.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 5 – RESERVES FOR POLICY BENEFITS

Reserves for policy benefits represent the estimated net present value of future policy benefits, less future policy premiums, established using actuarial methods based on mortality and morbidity experience tables and valuation interest rates prescribed by the Department. Actual future experience will generally differ from assumptions used to determine these reserves.

Reserves for future policy benefits on life insurance issued in 1988 and later are calculated principally on the New Jersey Reserve Method or the Commissioners Reserve Valuation Method using the 1980 Commissioners' Standard Ordinary ("CSO") and the 2001 CSO mortality tables. Reserves on life policies issued before 1988 are calculated principally on the Net Level Premium Reserve Method using the American Experience, 1941, 1958 and 1980 CSO mortality tables. Annuity contract reserves are principally calculated using the 1971, 1983, and 2000 Individual Annuity, 2015 Individual Annuity, and 1983 Group Annuity mortality tables. Assumed interest rates principally range from 2.5% to 5.5 % for direct business.

The reserves for Group Life Waiver and LTD reported claims are determined on a seriatim basis. Life waiver of premium reserves are determined primarily using the 1970 Inter-company Group Life Disability Table for claims incurred on or before December 31, 2008 and the 2005 Group Term Life Waiver Reserve Valuation Table for claims incurred on or after January 1, 2009. The interest rate is 4.0% for claims incurred on or before December 31, 2012 and 3.5% for claims incurred on or after January 1, 2013. Long-term disability reserves are determined using the 1987 Commissioners' Group Disability Table and Table 95a and interest rates ranging from 3.0% to 5.0%, depending on year of incurral. Short Term Disability (STD), Dental, and Medical claims incurred but not yet reported ("IBNR") reserves are estimated based on the Company's historical experience. Dental and Medical reserves include reasonable allowances for potential adverse deviation.

The Company maintains a liability for the expenses of direct claims IBNR. The basis of this liability is estimated by management based upon actual Company experience of the cost of claims settlement by product and amounted to \$19 million and \$25 million at December 31, 2015 and December 31, 2014, respectively.

The Company waives deduction of deferred fractional premiums upon death of insured and returns any portion of the final premium paid beyond the date of death. The larger of legally computed reserves and cash surrender values on a policy-by-policy basis are held as liabilities. Plans, except for second-to-die plans, charge additional premiums for substandard lives based upon actual issue age. Second-to-die plans develop substandard reserves using the rated up age. Mean reserves are based on appropriate multiples of standard rates of mortality. As of December 31, 2015, the Company had \$14 billion of insurance in force for which the gross premiums are less than the net premiums according to the standard valuation set by the State of New York. The reserves to cover the above insurance totaled \$37 million. The Tabular Interest, the Tabular Less Actual Reserve Released and the Tabular Cost have been determined by formula. For the determination of Tabular Interest on funds not involving life for each valuation rate of interest, the tabular interest is calculated as the product of such valuation rate of interest times the average of the amount of funds subject to such valuation rate of interest held at the beginning and end of the year of valuation.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 5 – RESERVES FOR POLICY BENEFITS (CONTINUED)

At December 31, 2015 and December 31, 2014 the withdrawal characteristics of the Company's annuity reserves and deposit liabilities were as follows:

| As of December 31, 2015                                                           |                           |                                                  |                                                 |              |                   |
|-----------------------------------------------------------------------------------|---------------------------|--------------------------------------------------|-------------------------------------------------|--------------|-------------------|
|                                                                                   | (1)<br>General<br>Account | (2)<br>Separate<br>Account<br>with<br>Guarantees | (3)<br>Separate<br>Account<br>Non<br>Guaranteed | (4)<br>Total | (4)<br>% of Total |
| A. Subject to discretionary withdrawal:                                           |                           |                                                  |                                                 |              |                   |
| (1) With market value adjustment                                                  | \$ 10                     | \$ -                                             | \$ -                                            | \$ 10        | 1.5%              |
| (2) At book value less current surrender charge of 5% or more                     | 68                        | -                                                | -                                               | 68           | 10.0%             |
| (3) At fair value                                                                 | -                         | -                                                | -                                               | -            | -                 |
| (4) Total with adjustment or at fair value<br>(Total of 1 through 3)              | \$ 78                     | \$ -                                             | \$ -                                            | \$ 78        | 11.5%             |
| (5) At book value without adjustment (with minimal or no<br>charge or adjustment) | \$ 551                    | \$ -                                             | \$ -                                            | \$ 551       | 81.4%             |
| B. Not subject to discretionary withdrawal                                        | \$ 48                     | \$ -                                             | \$ -                                            | \$ 48        | 7.1%              |
| C. Total (gross: direct + assumed)                                                | \$ 677                    | \$ -                                             | \$ -                                            | \$ 677       | 100.0%            |
| D. Reinsurance ceded                                                              | -                         | -                                                | -                                               | -            | -                 |
| E. Total (net)* (C)-(D)                                                           | \$ 677                    | \$ -                                             | \$ -                                            | \$ 677       | 100.0%            |

\* Reconciliation of total annuity actuarial reserves and deposit fund liabilities

| As of December 31, 2014                                                           |                           |                                                  |                                                 |              |                   |
|-----------------------------------------------------------------------------------|---------------------------|--------------------------------------------------|-------------------------------------------------|--------------|-------------------|
|                                                                                   | (1)<br>General<br>Account | (2)<br>Separate<br>Account<br>with<br>Guarantees | (3)<br>Separate<br>Account<br>Non<br>Guaranteed | (4)<br>Total | (4)<br>% of Total |
| A. Subject to discretionary withdrawal:                                           |                           |                                                  |                                                 |              |                   |
| (1) With market value adjustment                                                  | \$ 10                     | \$ -                                             | \$ -                                            | \$ 10        | 1.5%              |
| (2) At book value less current surrender charge of 5% or more                     | 73                        | -                                                | -                                               | 73           | 10.8%             |
| (3) At fair value                                                                 | -                         | -                                                | -                                               | -            | -                 |
| (4) Total with adjustment or at fair value<br>(Total of 1 through 3)              | \$ 83                     | \$ -                                             | \$ -                                            | \$ 83        | 12.3%             |
| (5) At book value without adjustment (with minimal or no<br>charge or adjustment) | \$ 537                    | \$ -                                             | \$ -                                            | \$ 537       | 79.6%             |
| B. Not subject to discretionary withdrawal                                        | \$ 55                     | \$ -                                             | \$ -                                            | \$ 55        | 8.1%              |
| C. Total (gross: direct + assumed)                                                | \$ 675                    | \$ -                                             | \$ -                                            | \$ 675       | 100.0%            |
| D. Reinsurance ceded                                                              | -                         | -                                                | -                                               | -            | -                 |
| E. Total (net)* (C)-(D)                                                           | \$ 675                    | \$ -                                             | \$ -                                            | \$ 675       | 100.0%            |

\* Reconciliation of total annuity actuarial reserves and deposit fund liabilities



# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 6 – PREMIUM AND ANNUITY CONSIDERATIONS DEFERRED AND UNCOLLECTED

Gross deferred and uncollected life insurance premiums represent premiums due to be received from policy owners through the next policy anniversary date. Net deferred and uncollected life insurance premiums represent only the portion of gross premiums related to mortality charges and interest. Deferred and uncollected life insurance premiums at December 31, 2015 and December 31, 2014 were as follows:

| Type                  | 2015          |               | 2014          |               |
|-----------------------|---------------|---------------|---------------|---------------|
|                       | (In millions) |               | (In millions) |               |
|                       | Gross         | Net           | Gross         | Net           |
| Ordinary new business | \$ 66         | \$ 66         | \$ 63         | \$ 63         |
| Ordinary renewal      | 636           | 557           | 614           | 546           |
| Group life            | 162           | 328           | 149           | 304           |
| Totals                | \$ <u>864</u> | \$ <u>951</u> | \$ <u>826</u> | \$ <u>913</u> |

### NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS

#### Defined Benefit Plans:

The Company sponsors non-contributory defined benefit pension plans covering all eligible employees. These include tax-qualified plans, as well as nonqualified plans that provide benefits to certain participants in excess of ERISA limits for qualified plans. The Company's policy is to fully fund the obligations of qualified plans in accordance with ERISA requirements.

In addition to pension benefits, the Company provides certain health care, dental and life insurance benefits ("postretirement benefits") for retired employees. Substantially all of the employees and representatives may become eligible for these benefits if they reach retirement age while working for the Company.

In accordance with NAIC SAP, the costs associated with these required benefits are expensed over the period that the participant provides services to the Company, including recognition of assets and liabilities based on the funded status of the related plans. Pension assets are then non-admitted and thereby excluded from surplus.

Effective January 1, 2013, the Company adopted Statement of Statutory Accounting Principle No. 92, Accounting for Postretirement Benefits Other Than Pensions, A Replacement of SSAP No. 14 ("SSAP 92") and Statement of Statutory Accounting Principle No. 102, Accounting for Pensions, A Replacement of SSAP No. 89 ("SSAP 102"). These new statutory accounting standards require that estimates of the projected benefit obligations and accumulated benefit obligations include future benefit obligations due to non-vested participants. They also require that the Company's surplus as reported in the statements of financial position fully reflect any net liability related to the plans' projected benefit obligations, reduced by the fair value of any plan assets, including unrecognized net experience losses and prior service costs. Based on the funded status of the plans at December 31, 2012, the new standards will reduce surplus by approximately \$260 million once fully implemented. The new standards permit the Company an election to recognize this surplus reduction over a period of up to ten years, which the Company has elected to make.

The table below discloses the remaining unrecognized transition impact:

#### Surplus Impact at Transition

|                                                    |    |                  |
|----------------------------------------------------|----|------------------|
| Transition Liability                               | \$ | 260              |
| Amount Recognized on January 1, 2013               |    | (59)             |
| Accelerated Transition Liability recognized        |    |                  |
| due to funded status gains – December 31, 2013     |    | (120)            |
| Remaining Transition Liability - December 31, 2013 |    | <u>81</u>        |
| Transition amount recognized during 2014           |    | (19)             |
| Transition amount recognized during 2015           |    | (33)             |
| Remaining Transition Liability - December 31, 2015 | \$ | <u><u>29</u></u> |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

The table below discloses the anticipated recognition of the remaining transition impact:

| <u>Minimum Transition Liability:</u> | <u>Anticipated<br/>Amortization</u> | <u>Remaining Transition<br/>Liability</u> |
|--------------------------------------|-------------------------------------|-------------------------------------------|
| 2016                                 | \$ 13                               | \$ 16                                     |
| 2017                                 | 13                                  | 3                                         |
| 2018                                 | 3                                   | -                                         |

### Components of Net Periodic Benefit Expense

The components of net periodic pension and postretirement benefits expense including the amount of unrecognized items amortized into expense for the years ended December 31 are as follows:

|                                     | <u>Pension Benefits</u> |              | <u>Postretirement Benefits</u> |             |
|-------------------------------------|-------------------------|--------------|--------------------------------|-------------|
|                                     | <u>2015</u>             | <u>2014</u>  | <u>2015</u>                    | <u>2014</u> |
|                                     | (In millions)           |              |                                |             |
| Service cost                        | \$ 70                   | \$ 61        | \$ 6                           | \$ 6        |
| Interest cost                       | 89                      | 93           | 10                             | 12          |
| Expected return on plan assets      | (142)                   | (139)        | (10)                           | (10)        |
| Amortization of transition amount   | 1                       | 1            | -                              | -           |
| Amortization of prior service costs | 3                       | 13           | (3)                            | (3)         |
| Amortization of actuarial net loss  | 42                      | 21           | 5                              | 4           |
| Settlement                          | 3                       | -            | -                              | -           |
| Other                               | (2)                     | 13           | -                              | (1)         |
| Net periodic expense                | \$ <u>64</u>            | \$ <u>63</u> | \$ <u>8</u>                    | \$ <u>8</u> |

### Plan Amendments

The Company announced a plan amendment affecting pension benefits on November 13, 2013 effective January 1, 2014. The plan amendment affects only the Home Office defined benefit pension plan. The amendment includes plan design changes to reduce the numbers of year of service used in the pension calculation from 40 to 25 for current and new employees. Current employees with 15 years of service will continue to be eligible for the existing formula. The amendment also eliminates the Special Early Retirement provision (which provides for an unreduced pension when the employee reaches age 60 with 20 years of service) for new employees.

The Company announced a plan amendment affecting postretirement benefits on August 31, 2012 effective January 1, 2013. The plan amendment includes plan design changes which will reduce the Company's Accumulated Postretirement Benefit Obligation ("APBO") and postretirement benefit plan expense. Beginning in 2013, the Company will no longer subsidize retiree health care premiums but rather make an annual contribution to a Health Reimbursement Arrangement ("HRA") on the retiree's behalf. The Company will contribute a capped amount to each eligible retiree's HRA beginning in 2013. Additionally, the Company is placing a cap on the amount it will subsidize for the cost of medical coverage for non-Medicare eligible retirees who retired after 2007.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

Changes in the projected benefit obligations and plan assets during the years ended December 31, 2015 and December 31, 2014 were as follows (in millions):

| Change in benefit obligation               | Pension Benefits |                 | Postretirement Benefits |               |
|--------------------------------------------|------------------|-----------------|-------------------------|---------------|
|                                            | 2015             | 2014            | 2015                    | 2014          |
| Benefit obligation, at beginning of period | \$ 2,108         | \$ 1,811        | \$ 250                  | \$ 238        |
| Service cost                               | 70               | 61              | 6                       | 6             |
| Interest cost                              | 89               | 93              | 10                      | 12            |
| Actuarial loss (gain)                      | (95)             | 259             | (15)                    | 16            |
| Plan amendments                            | -                | -               | -                       | (11)          |
| Settlements                                | (59)             | (73)            | -                       | -             |
| Benefits paid                              | (73)             | (56)            | (11)                    | (11)          |
| Other                                      | (2)              | 13              | -                       | -             |
| Benefit obligation, at end of period       | <u>\$ 2,038</u>  | <u>\$ 2,108</u> | <u>\$ 240</u>           | <u>\$ 250</u> |

| Change in fair value of plan assets | Pension Benefits |                 | Postretirement Benefits |               |
|-------------------------------------|------------------|-----------------|-------------------------|---------------|
|                                     | 2015             | 2014            | 2015                    | 2014          |
| Plan assets, at beginning of period | \$ 1,805         | \$ 1,716        | \$ 136                  | \$ 127        |
| Actual return on plan assets        | (12)             | 153             | (1)                     | 11            |
| Employer contributions              | 11               | 65              | -                       | -             |
| Settlements                         | (59)             | (73)            | -                       | -             |
| Benefits paid                       | (73)             | (56)            | (1)                     | (2)           |
| Plan assets, at end of period       | <u>\$ 1,672</u>  | <u>\$ 1,805</u> | <u>\$ 134</u>           | <u>\$ 136</u> |

| Funded status                     | Pension Benefits |               | Postretirement Benefits |                |
|-----------------------------------|------------------|---------------|-------------------------|----------------|
|                                   | 2015             | 2014          | 2015                    | 2014           |
| Funded status at end of period    | \$ (366)         | \$ (303)      | \$ (106)                | \$ (114)       |
| Unrecognized transition liability | 2                | 3             | -                       | -              |
| Unrecognized prior service costs  | 1                | 4             | (3)                     | (5)            |
| Unrecognized actuarial net loss   | 642              | 627           | 71                      | 79             |
| Net amount recognized             | <u>\$ 279</u>    | <u>\$ 331</u> | <u>\$ (38)</u>          | <u>\$ (40)</u> |

| Recognized as of December 31 | Pension Benefits |                 | Postretirement Benefits |                |
|------------------------------|------------------|-----------------|-------------------------|----------------|
|                              | 2015             | 2014            | 2015                    | 2014           |
| Prepaid benefit cost         | \$ 8             | \$ 11           | \$ -                    | \$ -           |
| Less assets non admitted     | (8)              | (11)            | -                       | -              |
| Accrued liability            | (374)            | (301)           | (77)                    | (65)           |
| Net amount recognized        | <u>\$ (374)</u>  | <u>\$ (301)</u> | <u>\$ (77)</u>          | <u>\$ (65)</u> |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

Unrecognized actuarial net gains or losses represent cumulative amounts by which plan experience for return on plan assets or changes in benefit obligations has been more or less favorable than assumed. These net differences accumulate without being recorded in the Company's financial statements unless they exceed ten percent of plan assets or projected benefit obligation, whichever is greater. If they exceed this limit, they are amortized into net periodic benefit costs over the remaining average years of service until retirement of the employee base, which is currently approximately ten years.

The amounts below are estimated to be amortized from surplus into net periodic benefit cost in 2016 as follows:

|                                   | <b>Pension<br/>Benefits</b> | <b>Other<br/>Benefits</b> |
|-----------------------------------|-----------------------------|---------------------------|
|                                   | (In millions)               |                           |
| Net transition obligation/(asset) | \$ 1                        | \$ -                      |
| Net prior service cost            | -                           | (2)                       |
| Net loss/(gain)                   | 45                          | 4                         |
|                                   | <u>\$ 46</u>                | <u>\$ 2</u>               |

### Assumptions

Weighted average assumptions used in calculating the benefit obligations were as follows:

|                               | <b>Pension Benefits</b> |                     | <b>Post Retirement Benefits</b> |                     |
|-------------------------------|-------------------------|---------------------|---------------------------------|---------------------|
|                               | <b>December 31,</b>     | <b>December 31,</b> | <b>December 31,</b>             | <b>December 31,</b> |
|                               | <b>2015</b>             | <b>2014</b>         | <b>2015</b>                     | <b>2014</b>         |
| Discount rate                 | 4.75%                   | 4.35%               | 4.70%                           | 4.20%               |
| Rate of compensation increase | 3.00%                   | 3.00%               | 3.00%                           | 3.00%               |

Weighted average assumptions used in calculating the net periodic benefit cost were as follows:

|                                            | <b>Pension Benefits<br/>For the Years Ended</b> |                     | <b>Post Retirement Benefits<br/>For the Years Ended</b> |                     |
|--------------------------------------------|-------------------------------------------------|---------------------|---------------------------------------------------------|---------------------|
|                                            | <b>December 31,</b>                             | <b>December 31,</b> | <b>December 31,</b>                                     | <b>December 31,</b> |
|                                            | <b>2015</b>                                     | <b>2014</b>         | <b>2015</b>                                             | <b>2014</b>         |
| Discount rate                              | 4.35%                                           | 5.20%               | 4.20%                                                   | 5.00%               |
| Rate of compensation increase              | 3.00%                                           | 3.00%               | 3.00%                                                   | 3.00%               |
| Expected return on plan assets:            |                                                 |                     |                                                         |                     |
| Assets in trust account                    | 8.20%                                           | 8.20%               | 8.20%                                                   | 8.20%               |
| Assets held under insurance contract/other | 4.75%                                           | 4.35%               | 4.75%                                                   | 4.35%               |

Assumed health care cost trend rates were as follows:

|                                     | <b>As of December 31,</b>            |                                      |
|-------------------------------------|--------------------------------------|--------------------------------------|
|                                     | <b>2015</b>                          | <b>2014</b>                          |
| Medical & Prescription Pre - Age 65 | 6.50%, grading to 4.5% over 10 years | 6.70%, grading to 4.5% over 10 years |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

In 2015, the Company updated its mortality assumption to reflect the RP-2014 base mortality table released by the Society of Actuaries in October 2014. The impact of changing base mortality tables from RP-2000 to RP-2014 resulted in an aggregate increase in the benefit obligation of approximately \$20 million at December 31, 2015.

The trend rates above reflect the Company's current claim experience and management's expectation that future rates of growth will decline. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. At December 31, 2015, a one-percentage-point increase assumed health care cost trend rates would have increased the total service/interest cost components and accumulated benefit obligation for postretirement benefits by \$0.1 million and \$1.6 million, respectively. A one percentage-point decrease in assumed healthcare cost trend rates would have decreased the total service/interest cost components and accumulated benefit obligation for postretirement benefits by \$0.1 million and \$1.5 million, respectively. At December 31, 2014, a one-percentage-point increase assumed health care cost trend rates would have increased the total service/interest cost components and accumulated benefit obligation for postretirement benefits by \$0.1 million and \$1.0 million, respectively. A one percentage-point decrease in assumed healthcare cost trend rates would have decreased the total service/interest cost components and accumulated benefit obligation for postretirement benefits by \$0.0 million and \$0.3 million, respectively.

The accumulated benefit obligations ("ABO") for the funded and unfunded pension plans were \$1,538 million and \$280 million, respectively, at December 31, 2015 and \$1,598 million and \$261 million, respectively, at December 31, 2014. The APBO for the postretirement plans was \$240 million at December 31, 2015 and \$250 million at December 31, 2014.

For the pension plans with ABO in excess of plan assets, the projected benefit obligations, accumulated benefit obligations, and fair value of plan assets were \$314 million, \$280 million, and \$0 million respectively at December 31, 2015 and \$300 million, \$261 million, and \$0 million respectively at December 31, 2014.

The pension plans hold immediate participation guarantee group annuity ("IPG") contracts purchased from the Company. These contracts are expected to provide future benefits to plan participants specifically covered by these contracts of \$20 million at December 31, 2015 and \$24 million at December 31, 2014.

With respect to the Company's pension plans, the actuarially calculated funding amount ranges from the minimum amount the Company would be required to contribute to the maximum amount that would be deductible for tax purposes. Contribution amounts in excess of the minimum amounts are deemed voluntary. Amounts in excess of the maximum amount would be subject to an excise tax and may not be deductible under the Internal Revenue Code. The Company made no contribution in 2015 to its pension plans and does not expect to make a contribution to its pension plans in 2016. The Company made a \$55 million contribution during 2014.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

#### Benefit Payments

The expected benefit payments for the Company's pension and postretirement plans for the years indicated are as follows:

| Estimated Future Payments | Pension Benefits | Other Benefits |
|---------------------------|------------------|----------------|
|                           | (In millions)    |                |
| 2016                      | \$ 66            | \$ 13          |
| 2017                      | 70               | 13             |
| 2018                      | 74               | 13             |
| 2019                      | 78               | 14             |
| 2020                      | 84               | 15             |
| 2021 - 2025               | 544              | 85             |

#### Plan Assets

The Company's pension and postretirement plans' asset allocation by major asset class at December 31, 2015 and December 31, 2014, and the target allocation for 2016, are as follows:

| Asset Category        | Target Allocation | Percentage of Plan Assets at |                         |
|-----------------------|-------------------|------------------------------|-------------------------|
|                       | 2016              | As of December 31, 2015      | As of December 31, 2014 |
| U.S. Stocks           | 15%-60%           | 41%                          | 42%                     |
| International Stocks  | 5%-15%            | 7%                           | 11%                     |
| Non-convertible Bonds | 35%-60%           | 46%                          | 41%                     |
| Convertible Bonds     | 0%-10%            | 6%                           | 6%                      |
|                       |                   | 100%                         | 100%                    |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

The investment strategy with respect to the Company's pension plan assets is to preserve capital and to seek investment returns with a goal of fully funding the plan.

The expected rate of return was 8.2% for the years ending December 31, 2015 and December 31, 2014, respectively. These rates of return are an aggregation of expected returns within each asset category. The return with respect to each asset class considers both historical returns and the future expectations for such returns.

Target allocations of assets are determined with the objective of maximizing returns and minimizing volatility of net assets through adequate asset diversification and partial liability immunization. Adjustments are made to target allocations based on the Company's assessment of the impact of economic factors and market conditions.

The following table summarizes the Master Trust's financial instruments carried at fair value hierarchy levels. The fair values were estimated using the same methodology described in Note 4.

| Description                  | As of December 31, 2015 |          |         |                  |
|------------------------------|-------------------------|----------|---------|------------------|
|                              | (In millions)           |          |         |                  |
|                              | Level 1                 | Level 2  | Level 3 | Total Fair Value |
| Common stocks                | \$ -                    | \$ 736   | \$ -    | \$ 736           |
| Fixed maturities             |                         |          |         |                  |
| U.S. Government              | 28                      | -        | -       | 28               |
| All other Government         | -                       | 8        | -       | 8                |
| States, Territories          | -                       | 4        | -       | 4                |
| Political Subdivisions       | -                       | 1        | -       | 1                |
| Special revenue              | -                       | 6        | -       | 6                |
| Industrial and Miscellaneous | -                       | 857      | -       | 857              |
| Hybrid                       | -                       | -        | -       | -                |
| Total Fixed maturities       | 28                      | 876      | -       | 904              |
| Preferred stocks             | -                       | 17       | -       | 17               |
| Total                        | \$ 28                   | \$ 1,629 | \$ -    | \$ 1,657         |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

|                              | As of December 31, 2014 |          |         |                      |
|------------------------------|-------------------------|----------|---------|----------------------|
|                              | (In millions)           |          |         |                      |
| Description                  | Level 1                 | Level 2  | Level 3 | Estimated Fair Value |
| Common stocks                | \$ -                    | \$ 893   | \$ -    | \$ 893               |
| Fixed maturities             |                         |          |         |                      |
| U.S. Government              | 112                     | -        | -       | 112                  |
| All other Government         | -                       | 8        | -       | 8                    |
| States, Territories          | -                       | 5        | -       | 5                    |
| Political Subdivisions       | -                       | 1        | -       | 1                    |
| Special revenue              | -                       | 6        | -       | 6                    |
| Industrial and Miscellaneous | -                       | 707      | -       | 707                  |
| Credit Tenant Loans          | -                       | 1        | -       | 1                    |
| Total Fixed maturities       | 112                     | 728      | -       | 840                  |
| Preferred stocks             | -                       | -        | -       | -                    |
|                              | -                       | 15       | -       | 15                   |
| Total                        | \$ 112                  | \$ 1,636 | \$ -    | \$ 1,748             |

There were no financial instruments carried at fair value and classified as Level 3 for the years ending December 31, 2015 and 2014.

#### Defined Contribution Plans

The Company sponsors defined contribution plans. Home office employees are covered by investment and profit sharing plan pension plans 401(k)/401(a). Employees can invest up to 3% of their salary matched by an equal amount from the Company. They are also allowed an additional 10% (if not highly paid) of non-matched contributions. In addition, the Company provides a profit sharing allocation in proportion to salary. Field representatives are covered by a 401(k)/401(a) investment plan in which they can invest up to 3% of their salary matched by an equal amount from the Company. They are also allowed an additional 12% (if not highly paid) of non-matched contributions. The assets for the home office employees and field representatives' plans are held in a trust. Full time agents and general agents are covered by non-contributory plans. The Company contributed \$25 million to these plans in 2015 and \$26 million in 2014. The Company funds these plans and reflects the funded amounts as a liability.



# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 8 – INCOME TAXES

#### Consolidated Federal Income Tax Return

The Company's federal income tax return is consolidated with the following entities:

- Guardian Insurance & Annuity Company, Inc. and its subsidiaries,
- Park Avenue Life Insurance Company,
- Sentinel American Life Insurance Company,
- Family Service Life Insurance Company,
- Managed Dental Care of California,
- Managed Dental Guard of Texas,
- Managed Dental Guard of New Jersey,
- Innovative Underwriters Inc.,
- Berkshire Life Insurance Company of America
- First Commonwealth, Inc. and its subsidiaries

The Company files a consolidated federal income tax return as parent, with its subsidiaries. The Company has a written agreement, approved by the Company's Board of Directors, which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

The Internal Revenue Code limits the amount of non-life insurance losses that may offset life insurance company taxable income. The consolidated income tax liability is allocated among the members of the group pursuant to a tax allocation agreement. In accordance with the tax allocation agreement, each qualifying member of the group computes its tax provision and liability on a separate return basis, but may, where applicable, recognize benefits of net operating losses and capital losses utilized in the consolidated group. Subsidiary tax liabilities/benefits are settled subsequent to the filing of the federal income tax return.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 8 – INCOME TAXES (CONTINUED)

The components of the net deferred tax asset recognized in the Company's Assets, Liabilities, Surplus and Other Funds are as follows:

|                                           | December 31, 2015 |              |               |
|-------------------------------------------|-------------------|--------------|---------------|
|                                           | Ordinary          | Capital      | Total         |
| Gross Deferred Tax Assets                 | \$ 1,785          | \$ 38        | \$ 1,823      |
| Statutory valuation allowance adjustments | -                 | -            | -             |
| Adjusted Gross Deferred Tax Assets        | 1,785             | 38           | 1,823         |
| Deferred Tax Assets Nonadmitted           | 307               | (125)        | 182           |
| Subtotal Net Admitted Deferred Tax Asset  | 1,478             | 163          | 1,641         |
| Deferred Tax Liabilities                  | 808               | 126          | 934           |
| Net Admitted Deferred Tax Asset           | <u>\$ 670</u>     | <u>\$ 37</u> | <u>\$ 707</u> |

|                                           | December 31, 2014 |              |               |
|-------------------------------------------|-------------------|--------------|---------------|
|                                           | Ordinary          | Capital      | Total         |
| Gross Deferred Tax Assets                 | \$ 1,760          | \$ 45        | \$ 1,805      |
| Statutory valuation allowance adjustments | -                 | -            | -             |
| Adjusted Gross Deferred Tax Assets        | 1,760             | 45           | 1,805         |
| Deferred Tax Assets Nonadmitted           | 340               | (119)        | 221           |
| Subtotal Net Admitted Deferred Tax Asset  | 1,420             | 164          | 1,584         |
| Deferred Tax Liabilities                  | 753               | 120          | 873           |
| Net Admitted Deferred Tax Asset           | <u>\$ 667</u>     | <u>\$ 44</u> | <u>\$ 711</u> |

|                                                              | Change      |               |               |
|--------------------------------------------------------------|-------------|---------------|---------------|
|                                                              | Ordinary    | Capital       | Total         |
| Gross Deferred Tax Assets                                    | \$ 25       | \$ (7)        | \$ 18         |
| Statutory valuation allowance adjustments                    | -           | -             | -             |
| Adjusted Gross Deferred Tax Assets                           | 25          | (7)           | 18            |
| Deferred Tax Assets Nonadmitted                              | (33)        | (6)           | (39)          |
| Subtotal Net Admitted Deferred Tax Asset                     | 58          | (1)           | 57            |
| Deferred Tax Liabilities                                     | 55          | 6             | 61            |
| Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) | <u>\$ 3</u> | <u>\$ (7)</u> | <u>\$ (4)</u> |

Deferred income taxes are generally recognized, based on enacted tax rates, when assets and liabilities have different values for financial statement and tax purposes. A valuation allowance is recorded if it is more likely than not that some portion or all of the deferred tax asset will not be realized. The Company's management has concluded that the deferred income tax assets are more likely than not to be realized. Therefore, no valuation allowance has been provided.

### Admission calculation components SSAP No. 101 (Paragraph 11)

The Company follows the guidance in Statement of Statutory Accounting Principles No. 101 - Income Taxes, A Replacement of SSAP No. 10R and SSAP No.10 ("SSAP 101"). SSAP 101 included a similar calculation for limitation of gross deferred tax assets as SSAP 10R for insurers that maintain a minimum of 300% of their authorized control level RBC computed without net deferred tax assets. The Company exceeded the 300% minimum RBC requirement at December 31, 2015 and 2014.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 8 – INCOME TAXES (CONTINUED)

|                                                                                                                                                                                                                | December 31, 2015 |          |          |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------|----------|
|                                                                                                                                                                                                                | Ordinary          | Capital  | Total    |
| a. Federal income taxes paid in prior years recoverable through loss carrybacks.                                                                                                                               | \$ 654            | \$ 37    | \$ 691   |
| b. Adjusted gross deferred taxassets expected to be realized (excluding the amount of deferred taxassets from 2a, above) after application of the threshold limitation. (The Lesser of 2b.i. and 2b.ii. below) | 16                | -        | 16       |
| The lesser of:                                                                                                                                                                                                 |                   |          |          |
| i. Adjusted gross deferred taxassets expected to be realized following the balance sheet date                                                                                                                  | 16                | -        | 16       |
| ii. Adjusted gross deferred taxassets allowed per limitation threshold.                                                                                                                                        | N/A               | N/A      | 807      |
| c. Adjusted gross deferred taxassets (excluding the amount of deferred taxassets from a. and b. above) offset by gross deferred taxliabilities.                                                                | 808               | 126      | 934      |
| Deferred taxassets admitted as the result of application of SSAP No. 101.Total (a. + b. + c.)                                                                                                                  | \$ 1,478          | \$ 163   | \$ 1,641 |
|                                                                                                                                                                                                                | December 31, 2014 |          |          |
|                                                                                                                                                                                                                | Ordinary          | Capital  | Total    |
| a. Federal income taxes paid in prior years recoverable through loss carrybacks.                                                                                                                               | \$ 609            | \$ 44    | \$ 653   |
| b. Adjusted gross deferred taxassets expected to be realized (excluding the amount of deferred taxassets from 2a, above) after application of the threshold limitation. (The Lesser of 2b.i. and 2b.ii. below) | 58                | -        | 58       |
| The lesser of:                                                                                                                                                                                                 |                   |          |          |
| i. Adjusted gross deferred taxassets expected to be realized following the balance sheet date                                                                                                                  | 58                | -        | 58       |
| ii. Adjusted gross deferred taxassets allowed per limitation threshold.                                                                                                                                        | N/A               | N/A      | 746      |
| c. Adjusted gross deferred taxassets (excluding the amount of deferred taxassets from a. and b. above) offset by gross deferred taxliabilities.                                                                | 753               | 120      | 873      |
| Deferred taxassets admitted as the result of application of SSAP No. 101.Total (a. + b. + c.)                                                                                                                  | \$ 1,420          | \$ 164   | \$ 1,584 |
|                                                                                                                                                                                                                | Change            |          |          |
|                                                                                                                                                                                                                | Ordinary          | Capital  | Total    |
| a. Federal income taxes paid in prior years recoverable through loss carrybacks.                                                                                                                               | \$ 45             | \$ (7)   | \$ 38    |
| b. Adjusted gross deferred taxassets expected to be realized (excluding the amount of deferred taxassets from 2a, above) after application of the threshold limitation. (The Lesser of 2b.i. and 2b.ii. below) | (42)              | -        | (42)     |
| The lesser of:                                                                                                                                                                                                 |                   |          |          |
| i. Adjusted gross deferred taxassets expected to be realized following the balance sheet date                                                                                                                  | (42)              | -        | (42)     |
| ii. Adjusted gross deferred taxassets allowed per limitation threshold.                                                                                                                                        | N/A               | N/A      | 61       |
| c. Adjusted gross deferred taxassets (excluding the amount of deferred taxassets from a. and b. above) offset by gross deferred taxliabilities.                                                                | 55                | 6        | 61       |
| Deferred taxassets admitted as the result of application of SSAP No. 101.Total (a. + b. + c.)                                                                                                                  | \$ 58             | \$ (1)   | \$ 57    |
|                                                                                                                                                                                                                | 2015              | 2014     |          |
|                                                                                                                                                                                                                | 1027%             | 945%     |          |
| Ratio percentage used to determine recovery period and threshold limitation amount                                                                                                                             |                   |          |          |
| Amount of adjusted capital and surplus used to determine recovery period and threshold limitation                                                                                                              | \$ 6,652          | \$ 6,174 |          |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 8 – INCOME TAXES (CONTINUED)

#### Impact of Tax Planning Strategies

|                                                                                                                              | <u>December 31, 2015</u> |                |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------|
|                                                                                                                              | <u>Ordinary</u>          | <u>Capital</u> |
| 1. Adjusted Gross DTAs amount                                                                                                | 1,785                    | 38             |
| 2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies                  | 0.3%                     | 2.0%           |
| 3. Net Admitted Adjusted Gross DTAs amount                                                                                   | 1,478                    | 163            |
| 4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies | 0.7%                     | 5.2%           |

|                                                                                                                              | <u>December 31, 2014</u> |                |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------|
|                                                                                                                              | <u>Ordinary</u>          | <u>Capital</u> |
| 1. Adjusted Gross DTAs amount                                                                                                | 1,760                    | 45             |
| 2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies                  | 1.0%                     | 2.5%           |
| 3. Net Admitted Adjusted Gross DTAs amount                                                                                   | 1,420                    | 164            |
| 4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies | 3.2%                     | 6.2%           |

|                                                                                                                              | <u>Change</u>   |                |
|------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------|
|                                                                                                                              | <u>Ordinary</u> | <u>Capital</u> |
| 1. Adjusted Gross DTAs amount                                                                                                | 25              | (7)            |
| 2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies                  | -0.7%           | -0.5%          |
| 3. Net Admitted Adjusted Gross DTAs amount from                                                                              | 58              | (1)            |
| 4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies | -2.5%           | -1.0%          |

Does the Company's tax-planning strategies include the use of reinsurance? Yes \_\_\_\_\_ No X

All DTL were recognized as of December 31, 2015 and December 31, 2014

#### Current income taxes incurred consisted of the following major components:

| <u>Description</u>                              | <u>December 31, 2015</u> | <u>December 31, 2014</u> | <u>Change</u> |
|-------------------------------------------------|--------------------------|--------------------------|---------------|
| (In millions)                                   |                          |                          |               |
| Federal income tax expense on operating income  | \$ 183                   | \$ 133                   | \$ 50         |
| Prior year overaccrual                          | (51)                     | (38)                     | (13)          |
| Contingent tax                                  | (50)                     | 7                        | (57)          |
| Current Federal operations income tax expense   | \$ 82                    | \$ 102                   | \$ (20)       |
| Federal income tax expense on capital gains     | \$ 109                   | \$ 80                    | \$ 29         |
| Prior year underaccrual                         | 23                       | 19                       | 4             |
| Current Federal capital gain income tax expense | \$ 132                   | \$ 99                    | \$ 33         |
| Federal and foreign income taxes incurred       | \$ <u>214</u>            | \$ <u>201</u>            | \$ <u>13</u>  |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 8 – INCOME TAXES (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

|                                                     | <u>2015</u>     | <u>2014</u>     | <u>Change</u> |
|-----------------------------------------------------|-----------------|-----------------|---------------|
| DTAs Resulting from Book/Income Tax Differences In: |                 | (In millions)   |               |
| Ordinary:                                           |                 |                 |               |
| Reserves                                            | \$ 601          | \$ 584          | \$ 17         |
| Policy acquisition costs                            | 393             | 383             | 10            |
| Dividend provision                                  | 293             | 276             | 17            |
| Liabilities for employees and agents                | 145             | 138             | 7             |
| Non admitted assets                                 | 281             | 274             | 7             |
| Contract liabilities and unpaid claims              | 1               | 1               | -             |
| Leasehold improvement                               | 12              | 12              | -             |
| Other                                               | 59              | 92              | (33)          |
| Gross ordinary DTA - (admitted and nonadmitted)     | \$ <u>1,785</u> | \$ <u>1,760</u> | \$ <u>25</u>  |
| Statutory valuation allowance adjustment - ordinary | -               | -               | -             |
| Total ordinary DTA - (nonadmitted)                  | <u>307</u>      | <u>340</u>      | <u>(33)</u>   |
| Admitted ordinary DTA                               | 1,478           | 1,420           | 58            |
| Capital:                                            |                 |                 |               |
| Impaired securities                                 | 30              | 22              | 8             |
| Unrealized capital losses                           | -               | 16              | (16)          |
| Other                                               | 8               | 6               | 2             |
| Gross capital DTA - (admitted and nonadmitted)      | <u>38</u>       | <u>44</u>       | <u>(6)</u>    |
| Statutory valuation allowance adjustment - capital  | -               | -               | -             |
| Total capital DTA - (nonadmitted)                   | <u>(125)</u>    | <u>(119)</u>    | <u>(6)</u>    |
| Admitted capital DTA                                | <u>163</u>      | <u>163</u>      | <u>-</u>      |
| Total admitted DTA                                  | \$ <u>1,641</u> | \$ <u>1,583</u> | \$ <u>58</u>  |
| DTLs Resulting from Book/Income Tax Differences In: |                 |                 |               |
| Ordinary:                                           |                 |                 |               |
| Deferred and uncollected premiums                   | \$ 357          | \$ 339          | \$ 18         |
| Guaranteed dividend                                 | 199             | 183             | 16            |
| Other invested assets                               | 90              | 58              | 32            |
| Pension                                             | 85              | 103             | (18)          |
| Reserves 10 Year spread                             | 16              | 19              | (3)           |
| Other                                               | 61              | 51              | 10            |
| Ordinary DTL                                        | \$ <u>808</u>   | \$ <u>753</u>   | \$ <u>55</u>  |
| Capital:                                            |                 |                 |               |
| Unrealized capital gains                            | 41              | 29              | 12            |
| Deferred gain                                       | 84              | 84              | -             |
| Other                                               | 1               | 6               | (5)           |
| Capital DTL                                         | <u>126</u>      | <u>119</u>      | <u>7</u>      |
| Total DTL                                           | \$ <u>934</u>   | \$ <u>872</u>   | \$ <u>62</u>  |
| Net admitted DTA/(DTL)                              | \$ <u>707</u>   | \$ <u>711</u>   | \$ <u>(4)</u> |

The Change in net deferred income taxes is comprised of the following:

|                                             |               |               |                |
|---------------------------------------------|---------------|---------------|----------------|
| Adjusted gross deferred tax assets          | \$ 1,823      | \$ 1,805      | \$ 18          |
| Total Deferred Tax Liabilities              | <u>934</u>    | <u>873</u>    | <u>61</u>      |
| Net deferred tax assets (liabilities)       | \$ <u>889</u> | \$ <u>932</u> | \$ <u>(43)</u> |
| Tax effect of net unrealized gains (losses) |               |               | 27             |
| Change in net deferred income tax           |               |               | <u>\$ (16)</u> |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 8 – INCOME TAXES (CONTINUED)

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant book to tax adjustments causing this difference were the following:

|                                                                                               | <u>December 31, 2015</u> | <u>Effective Tax Rate</u> |
|-----------------------------------------------------------------------------------------------|--------------------------|---------------------------|
|                                                                                               | (In millions)            |                           |
| Net gain from operations after dividends to policyholders and before Federal income tax @ 35% | \$ 203                   |                           |
| Net realized capital gains (losses) @ 35%                                                     | <u>23</u>                |                           |
| Provision calculated at statutory rate                                                        | 226                      | 35.00%                    |
| Tax effect of:                                                                                |                          |                           |
| Interest maintenance reserve                                                                  | (14)                     | (2.17%)                   |
| Tax exempt interest                                                                           | (6)                      | (0.93%)                   |
| Affiliated dividends                                                                          | (12)                     | (1.86%)                   |
| Reserve recorded through surplus                                                              | (14)                     | (2.17%)                   |
| Reversal of book impairments in RS investment                                                 | 53                       | 8.21%                     |
| SSAP 40                                                                                       | (15)                     | (2.32%)                   |
| Pension                                                                                       | (13)                     | (2.01%)                   |
| IRS audit settlement                                                                          | 8                        | 1.24%                     |
| Deferred Tax True-up                                                                          | 41                       | 6.35%                     |
| Non-admitted assets                                                                           | 5                        | 0.77%                     |
| Affordable Care Act Fees                                                                      | 13                       | 2.01%                     |
| Subtotal                                                                                      | <u>272</u>               | 42.12%                    |
| Contingent taxes                                                                              | (40)                     | (6.19%)                   |
| Return to provision                                                                           | (2)                      | (0.31%)                   |
| Total statutory income taxes                                                                  | <u>\$ 230</u>            | <u>35.62%</u>             |
| Federal income taxes incurred                                                                 | 214                      | 33.14%                    |
| Change in net deferred income taxes                                                           | 16                       | 2.48%                     |
| Total statutory income taxes                                                                  | <u>\$ 230</u>            | <u>35.62%</u>             |

### Operating Loss and Tax Credit Carryforwards

As of December 31, 2015, the Company does not have any net ordinary loss carryforwards, capital loss carryforwards or tax credit carryforwards.

The following are income taxes incurred in prior years that are available for recoupment in the event of future net losses:

| <u>Year</u> | <u>Ordinary</u> | <u>Capital</u> | <u>Total</u>  |
|-------------|-----------------|----------------|---------------|
|             |                 | (In millions)  |               |
| 2015        | \$ 182          | \$ 109         | \$ 291        |
| 2014        | 91              | 103            | 194           |
| 2013        | 131             | 75             | 206           |
| Total       | <u>\$ 404</u>   | <u>\$ 287</u>  | <u>\$ 691</u> |

As of December 31, 2015, the Company does not have any deposits admitted pursuant to the Internal Revenue Code Section 6603.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 8 – INCOME TAXES (CONTINUED)

#### Contingent Tax Liabilities

As of December 31, 2015, the Company had no unrecognized tax benefits and related interest expense, if recognized, all of which would affect the Company's annual effective tax rate. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. During the year ending December 31, 2015, and year ending December 31, 2014, the Company recognized approximately (\$50) and \$8 million in interest and penalties. The Company has approximately \$0 and \$40 million accrued for payment of interest and penalties at December 31, 2015, and December 31, 2014, respectively.

The amount recognized in 2015 is primarily related to the timing of the deduction for the policyholder dividends liabilities. During 2015, a court case ruling, in the taxpayer's favor, was issued for another mutual insurance company in which the facts were similar to the Company's tax position. Management concluded that it is more-likely-than-not that the Company would sustain its tax position on this issue if challenged by the Internal Revenue Service. As a result, the Company released the contingent tax liabilities.

The Company files U.S. federal income tax returns along with various state and local income tax returns. The Company's federal income tax returns are routinely audited by the IRS and provisions are made in the financial statements in anticipation of the results of these audits. The IRS has completed audits through 2011. There were no material effects on the Company's consolidated financial position and results of operations as a result of these audits.

### NOTE 9 – REINSURANCE CEDED

In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding business to reinsurers under various modified coinsurance agreements, coinsurance agreements, and combinations thereof, and yearly renewable term agreements. These agreements provide for reinsurance of selected individual life and disability policies and group life and group health contracts. Under the terms of the modified coinsurance agreements, reserves related to the reinsured business and the corresponding assets are held by the Company. The Company retains the primary obligation to the policyholder for reinsured policies. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, the Company evaluates the financial condition of its reinsurers in order to minimize its exposure to losses from reinsurer insolvencies.

The effects of these ceding agreements on the components of gain from operations in the accompanying statutory basis statements of operations are as follows:

|                                                     | <u>2015</u>   | <u>2014</u>   |
|-----------------------------------------------------|---------------|---------------|
|                                                     | (In millions) |               |
| Premiums, annuity considerations and fund deposits  | \$ (457)      | \$ (458)      |
| Commissions and expense allowances (other income)   | 111           | 111           |
| Total revenues                                      | <u>(346)</u>  | <u>(347)</u>  |
| Benefit payments to policyholders and beneficiaries | (337)         | (354)         |
| Net reductions to policy benefit reserves           | (144)         | (96)          |
| Commissions and operating expenses                  | 3             | (2)           |
| Total expenses                                      | <u>(478)</u>  | <u>(452)</u>  |
| Net gain on operations from reinsurance ceded       | <u>\$ 132</u> | <u>\$ 105</u> |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 10 – REINSURANCE ASSUMED

The Company enters into various modified coinsurance agreements, coinsurance agreements, and combinations thereof and yearly renewable term agreements that provide reinsurance on life insurance, annuities, credit life, disability insurance, and credit accident and health business. Under the terms of the various reinsurance treaties, the Company assumed (net of retrocession) approximately \$4 billion face amount of life insurance at December 31, 2015 and \$4 billion at December 31, 2014. Under the terms of modified coinsurance agreements, reserves related to the reinsured business and the corresponding assets are held by the ceding company.

The Company entered into a coinsurance agreement with BLICOA an affiliated insurance company effective January 1, 2013. Under the agreement, the Company assumed 80% of the net individual disability insurance (IDI) originally ceded to BLICOA from the Company via the July 1, 2001 coinsurance treaty as well as 80% of the IDI and multi-life (ML) business written by BLICOA since the 2001 treaty. The reinsurance is done on a funds withheld basis with supporting invested assets remaining in BLICOA. Under the terms of the coinsurance agreement the Company assumed \$2,031 million in ceded reserves from BLICOA, while BLICOA retained the corresponding assets, on January 1, 2013.

Also, as part of the terms of the agreement, the Company can request that BLICOA pay an amount equal to the Annual Funds Withheld Increase to the Company. In December 2015, GLICOA requested and BLICOA settled an amount equal to the 2014 increase in the funds withheld of \$160 million. The December 2015 settlement of \$160 million consisted of \$87 million of bonds, \$1 million in accrued interest and \$72 million of cash.

The Company entered into one Individual Life Yearly Renewable Term reinsurance agreement with an affiliated insurance company GIAC, effective January 1, 2011. The agreement covers GIAC's current form Secondary Guarantee Universal Life and Survivorship Universal Life plans having policy effective dates of January 1, 2011 and later. Reinsurance under the new agreement is assumed on an automatic 90% first dollar quota share basis.

The following tables outline the effects of these assumption agreements on the accompanying Statutory Basis Statements of Operations.

#### Reinsurance Assumed from Affiliates

|                                                        | 2015           | 2014         |
|--------------------------------------------------------|----------------|--------------|
|                                                        | (In millions)  |              |
| Premiums, annuity considerations and fund deposits     | \$ 619         | \$ 606       |
| Reserve adjustments on reinsurance (other income)      | 29             | 31           |
| Total revenues                                         | <u>648</u>     | <u>637</u>   |
| Benefit payments to policyholders and beneficiaries    | 266            | 277          |
| Net additions to policy benefit reserves               | 200            | 149          |
| Commissions and operating expenses                     | 201            | 194          |
| Total expenses                                         | <u>667</u>     | <u>620</u>   |
| Net (loss)/gain on operations from reinsurance assumed | <u>\$ (19)</u> | <u>\$ 17</u> |

#### Reinsurance Assumed from Non-Affiliates

|                                                        | 2015          | 2014           |
|--------------------------------------------------------|---------------|----------------|
|                                                        | (In millions) |                |
| Premiums, annuity considerations and fund deposits     | \$ 3          | \$ 4           |
| Reserve adjustments on reinsurance (other income)      | -             | -              |
| Total revenues                                         | <u>3</u>      | <u>4</u>       |
| Benefit payments to policyholders and beneficiaries    | 31            | 10             |
| Net reductions to policy benefit reserves              | (32)          | (2)            |
| Commissions and operating expenses                     | (14)          | 6              |
| Total expenses                                         | <u>(15)</u>   | <u>14</u>      |
| Net gain/(loss) on operations from reinsurance assumed | <u>\$ 18</u>  | <u>\$ (10)</u> |



# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 10 – REINSURANCE ASSUMED (CONTINUED)

#### Total Reinsurance Assumed

|                                                        | <u>2015</u>   | <u>2014</u> |
|--------------------------------------------------------|---------------|-------------|
|                                                        | (In millions) |             |
| Premiums, annuity considerations and fund deposits     | \$ 622        | \$ 610      |
| Reserve adjustments on reinsurance (other income)      | 29            | 31          |
| Total revenues                                         | <u>651</u>    | <u>641</u>  |
| Benefit payments to policyholders and beneficiaries    | 297           | 287         |
| Net additions to policy benefit reserves               | 168           | 147         |
| Commissions and operating expenses                     | 187           | 200         |
| Total expenses                                         | <u>652</u>    | <u>634</u>  |
| Net (loss)/gain on operations from reinsurance assumed | \$ <u>(1)</u> | \$ <u>7</u> |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 11 – RELATED PARTY TRANSACTIONS

The Company maintains investments in affiliated mutual funds amounting to \$219 million and \$230 million at December 31, 2015 and 2014, respectively.

During the fourth quarter of 2015, the Company sold \$170 million of bank loans that it held in its general account to a downstream affiliate, Park Avenue Institutional Advisers CLO LTD 2016-1 ("PAIA CLO 2016-1"). The Company recorded a \$1 million loss on the sale of the bank loans. PAIA CLO 2016-1 is a special purpose vehicle ("SPV") that was established in the Cayman Islands whose ultimate purpose is to be the "Issuer" of one or more classes of notes that will be secured by a portfolio of investments held by the Issuer and rated by at least one rating agency (the "Rated Notes"), and one or more classes of notes that will be unrated and subordinate in right of payment to the Rated Notes (the "Subordinated Notes"). PAIA CLO 2016-1 is expected to issue the notes in 2016.

In 2015 and 2014, the Company made the following capital contributions to its real estate joint ventures and affiliates which are an addition to Other invested assets in the Statutory Basis Balance Sheets:

|                                       | <u>2015</u>   | <u>2014</u>   |
|---------------------------------------|---------------|---------------|
|                                       | (In millions) |               |
| GFP Residential Holdings, LLC         | \$ -          | \$ 1          |
| Guardian CapCo, LLC                   | 3             | 6             |
| Guardian LCP Commercial I, LLC        | -             | 1             |
| Guardian LCP Hospitality Finance, LLC | 1             | 2             |
| Guardian LCP Hospitality I, LLC       | -             | 1             |
| Truamerica Multifamily, LLC           | 6             | -             |
| Truamerica Properties, LLC            | 9             | 14            |
| Guardian Park Side Commons, LLC       | -             | 17            |
| Truamerica Properties II, LLC         | 21            | 5             |
| Guardian Ponderosa, LLC               | -             | 4             |
| Guardian Carriages, LLC               | -             | 5             |
| Guardian Lowry, LLC                   | -             | 10            |
| Lowes Capital Partners 2A, LLC        | 6             | 3             |
| Lowes Capital Partners 2B, LLC        | 2             | -             |
| Guardian Beaumont, LLC                | -             | 36            |
| Hanover Acquisitions II, LLC          | -             | 10            |
| Guardian Desail Holdings, LLC         | 12            |               |
| Guardian Mercury Holdings, LLC        | 9             | -             |
| Hanover Hoffman Estates, LLC (1)      | 19            | -             |
| Hanover Swanee, LLC (1)               | 1             | -             |
| Guardian Abbey, LLC                   | 2             | -             |
| Total                                 | \$ <u>91</u>  | \$ <u>115</u> |

(1) Capital contributions were made by transferring mortgage loan investments.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

In 2015 and 2014, the Company made the following capital contributions to its subsidiaries:

|                 | <u>2015</u>   | <u>2014</u>   |
|-----------------|---------------|---------------|
|                 | (In millions) |               |
| eMoney Holdings | \$ -          | \$ 1          |
| GIAC            | 50            | 56            |
| GIS             | 155           | -             |
| FCW             | -             | 254           |
| Total           | <u>\$ 205</u> | <u>\$ 311</u> |

The capital contributions to GIS and eMoney Holdings are recorded as an addition to Other invested assets in the Statutory Basis Balance Sheets, while the capital contributions to GIAC and FCW are recorded as an addition to Common and preferred stocks in the Statutory Basis Balance Sheets.

In 2015 and 2014, the Company received returns of capital from its real estate affiliates as follows, which are a reduction to Other invested assets in the Statutory Basis Balance Sheets:

|                                       | <u>2015</u>   | <u>2014</u>  |
|---------------------------------------|---------------|--------------|
|                                       | (In millions) |              |
| Guardian CapCo, LLC                   | \$ 7          | \$ 9         |
| Guardian LCP Hospitality I, LLC       | 1             | 16           |
| Guardian Campus Holdings, LLC         | 1             | 1            |
| Guardian Westwood Holdings, LLC       | 1             | 1            |
| Guardian LCP Hospitality Finance, LLC | 3             | 1            |
| Guardian Commercial I, LLC            | 7             | -            |
| Total                                 | <u>\$ 20</u>  | <u>\$ 28</u> |

In 2015 and 2014, the Company received net returns of capital of \$77 million and \$45 million respectively from its real estate joint ventures. These distributions are a reduction to Other invested assets in the Statutory Basis Balance Sheets.

In 2015 and 2014, the Company also received returns of capital from its subsidiaries as follows which are a reduction to Common and preferred stocks in the Statutory Basis Balance Sheets:

|        | <u>2015</u>   | <u>2014</u>  |
|--------|---------------|--------------|
|        | (In millions) |              |
| BLICOA | \$ 65         | \$ 12        |
| FCW    | 9             | 14           |
| Total  | <u>\$ 74</u>  | <u>\$ 26</u> |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

In 2015 and 2014, the Company received the following dividends from its affiliates and subsidiaries which are recorded as Net investment income in the Statutory Basis Statements of Operations:

|                                           | <u>2015</u>   | <u>2014</u>   |
|-------------------------------------------|---------------|---------------|
|                                           | (In millions) |               |
| BLICOA                                    | \$ 6          | \$ 305        |
| Managed Dental Care of California (“MDC”) | 3             | 2             |
| Managed Dental Guard of Texas, Inc. (TX)  | 1             | 1             |
| Guardian LEIM, LLC                        | -             | 4             |
| Guardian CapCo, LLC                       | 3             | 3             |
| Guardian LCP Hospitality I, LLC           | -             | 8             |
| Guardian LCP Hosp Finance, LLC            | 1             | 1             |
| Guardian Commercial I, LLC                | 4             | -             |
| Park Avenue Life Insurance Company        | 25            | -             |
|                                           | <u>\$ 43</u>  | <u>\$ 324</u> |

The Company sold its interest in eMoney, see Note 3 for details.

The preceding tables show that in 2014 the Company received a return of capital and dividend distribution from BLICOA. This consisted of a transfer of \$311 million in bonds, mortgage loans and the accrued interest on these assets and an additional \$6 million in cash.

The Company has expense sharing agreements with its subsidiaries. During 2015 and 2014, the Company had net billings of \$301 million and \$311 million, respectively, under the expense sharing agreements. Amounts billed to subsidiaries are included in Commissions and operating expenses in the Statutory Basis Statements of Operations. The unpaid net receivable balance due from subsidiaries relevant to these agreements was \$31 million and \$32 million on December 31, 2015 and December 31, 2014, respectively, and are included in Other assets and Other liabilities in the Statutory Basis Balance Sheets.

The Company (Lender) has a revolving line of credit agreement with GIAC (Borrower). Effective May 1, 2015, the revolving line of credit between the Company and GIAC increased from \$225 million to \$300 million, which was further increased to \$350 million effective December 3, 2015. The terms of the credit agreement state that future drawing, if any, (not at the time overdue) shall bear interest at a rate per annum equal to (a) the Prime Rate plus 1.00% if a Prime Rate Loan or (b) the Eurodollar Rate plus 1.00% if a Eurodollar Rate Loan. In the event any drawing on the line of credit becomes due, whether by acceleration or otherwise, it shall bear interest at a rate per annum equal to the Prime Rate plus 2.00%. Additionally, a commitment fee equal to .125% per annum of the amount of this line of credit shall be paid by Borrower to Lender, such amount to be paid in quarterly installments on the last day of each March, June, September and December or on the termination of this line of credit. The line of credit agreement shall have an initial term of 364 days beginning with the date first stated above, and shall automatically renew for successive periods of 364 days, unless the Lender shall notify the Borrower of its intention not to renew the line of credit agreement not less than sixty (60) days prior to the expiration of the then existing term. GIAC is in compliance with certain financial covenants imposed by the line of credit agreement. As of December 31, 2015, and 2014 the amounts of drawings on the line of credit amounted to \$105 million and \$177 million, respectively, and are included in Cash, cash equivalents and short term investments in the Statutory Basis Balance Sheets. Interest income and commitment income of \$2.2 million and \$1.3 million for the twelve months ended December 31, 2015 and 2014, respectively, are included in Net investment income in the Statutory Basis Statements of Operations.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

Effective April 30, 2015, the Company (Lender) entered into a new revolving line of credit agreement with RS (Borrower) for \$15 million. The terms of the credit agreement state that future drawing, if any, (not at the time overdue) shall bear interest at a rate per annum equal to the Eurodollar rate plus 1.00%. In the event any drawing on the line of credit becomes due, whether by acceleration or otherwise, it shall bear interest at a rate per annum equal to the Prime Rate plus 2.00%. Additionally, a commitment fee equal to .15% per annum of the amount of this line of credit shall be paid by Borrower to Lender, such amount to be paid in quarterly installments on the last day of each March, June, September and December and on the termination of this line of credit. The line of credit agreement has a term of twelve months beginning with the date first stated above and ending on April 30, 2016. As of December 31, 2015, the amount of drawings on the line of credit amounted to \$15 million and is included in Cash, cash equivalents and short term investments in the Statutory Basis Balance Sheets. Interest income and commitment income of \$0 million for the twelve months ended December 31, 2015 is included in Net investment income in the Statutory Basis Statements of Operations.

The Company provides financial guarantees on behalf of some of its subsidiaries and affiliates as listed below. Per the statutory accounting guidance SSAP No.5R, a liability has not been recorded on the Company's Statutory Basis Balance Sheets for any of these guarantees.

In 2014, the Company provided eMoney Advisors, LLC ("eMoney"), a subsidiary, a written letter of financial support in the amount of \$2 million until May 31, 2015. This commitment was terminated upon the sale of eMoney, which was effective March 6, 2015.

In 1996, the Company provided MDC, a subsidiary, a written letter of financial support for \$5 million. The letter was necessary for regulatory purposes in order to guarantee additional capital infusion to its California dental subsidiary as needed. The Company funded \$1.5 million to MDC prior to 2012. This amount was recorded as an additional investment in MDC. At this time, MDC is not expected to further draw on the remaining \$3.5 million as the subsidiary has \$6 million more capital than is required by California.

As of December 31, 2015 and December 31, 2014 respectively, the Company committed to make capital contributions to the following real estate joint venture subsidiaries for the purpose of investing in future properties:

|                                         | <u>2015</u>  |               | <u>2014</u> |
|-----------------------------------------|--------------|---------------|-------------|
|                                         |              | (In millions) |             |
| Guardian CapCo, LLC                     | \$ 11        | \$            | 12          |
| Guardian LCP Commercial I, LLC          | 30           |               | 23          |
| Guardian LCP Hospitality Finance, LLC   | 2            |               | 2           |
| Truamerica Properties, LLC              | 7            |               | 4           |
| Truamerica Properties II, LLC           | 10           |               | 7           |
| Seasons Lynnwood, LLC                   | -            |               | 29          |
| Guardian LCP2A, LLC                     | 6            |               | -           |
| Berkshire Portfolio                     | 4            |               | 4           |
| Guardian Mercury - Gemini Holdings, LLC | 5            |               | -           |
| Guardian SLC Redwood Holdings, LLC      | 4            |               | -           |
| Monte Cristo Portfolio                  | -            |               | 22          |
| Total                                   | \$ <u>79</u> | \$            | <u>103</u>  |

### Settlement of Intercompany Transactions:

In accordance with NAIC SAP, all transactions between related parties are required to have a written agreement that provides for a timely settlement of amounts owed, including a specific due date. Amounts over ninety days due are to be non-admitted along with any uncollected receivable from a related party that is not part of a written agreement. The Company has determined that written agreements are in place for all intercompany transactions and that these written agreements contain specific due dates. As of December 31, 2015, there was no intercompany receivable that was more than 90 days past due.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 12 – LIABILITY FOR UNPAID CLAIMS AND CLAIM RESERVES

Activity in the liability for unpaid accident and health claims and claim reserves is summarized as follows and is included in Reserves for policy benefits on the Statutory Basis Balance Sheets:

|                                                                                                | <u>2015</u>     | <u>2014</u>     |
|------------------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                                | (In millions)   |                 |
| Balance of unpaid claims and claim reserves,<br>net of reinsurance recoverable, at January 1   | \$ 3,300        | \$ 3,094        |
| Incurred related to:                                                                           |                 |                 |
| Current year                                                                                   | 2,127           | 2,005           |
| Prior years                                                                                    | (75)            | (84)            |
| Affiliated reinsurance                                                                         | <u>161</u>      | <u>126</u>      |
| Total incurred                                                                                 | <u>2,213</u>    | <u>2,047</u>    |
| Paid related to:                                                                               |                 |                 |
| Current year                                                                                   | 1,438           | 1,371           |
| Prior years                                                                                    | 289             | 265             |
| Affiliated reinsurance                                                                         | <u>212</u>      | <u>205</u>      |
| Total paid                                                                                     | <u>1,939</u>    | <u>1,841</u>    |
| Balance of unpaid claims and claim reserves,<br>net of reinsurance recoverable, at December 31 | \$ <u>3,574</u> | \$ <u>3,300</u> |

The affiliated reinsurance for the years ended December 31, 2015 and December 31, 2014 is primarily due to an intercompany reinsurance agreement between the Company and BLICOA effective January 1, 2013.

#### Loss / Claim Adjustment Expenses:

The balance in the liability for unpaid accident and health claim adjustment expenses was \$80 million and \$72 million as of December 31, 2015 and December 31, 2014, respectively. The Company incurred \$52 million and paid \$43 million of claims adjustment expenses in 2015 of which \$13 million of the paid amount was attributable to insured or covered events of prior years. The Company did not increase or decrease the provision for insured events of prior years. Estimated anticipated salvage and subrogation related to the liability for unpaid claims / losses is not material and therefore does not reduce the liability. The prior year liability for unpaid accident and health claim adjustment expenses was restated to include the intercompany reinsurance agreement between the Company and BLICOA effective January 1, 2013.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 13 – ASO PLANS

The net gain from operations from ASO uninsured plans and the uninsured portion of partially insured plans was as follows during the years ended December 31, 2015 and December 31, 2014:

|                                                                                                                  | 2015                      |                                                                        |           |
|------------------------------------------------------------------------------------------------------------------|---------------------------|------------------------------------------------------------------------|-----------|
|                                                                                                                  | ASO<br>Uninsured<br>Plans | Uninsured<br>Portion of<br>Partially<br>Insured Plans<br>(In millions) | Total ASO |
| Net reimbursement for administrative expenses<br>(including administrative fees) in excess of actual<br>expenses | \$ 2.7                    | \$ -                                                                   | \$ 2.7    |
| Total net other income or expenses (including<br>interest paid to or received from plans)                        | 0.9                       | -                                                                      | 0.9       |
| Net gain from operations                                                                                         | 1.8                       | -                                                                      | 1.8       |
| Total claim payment volume                                                                                       | 461                       | -                                                                      | 461       |

|                                                                                                                  | 2014                      |                                                                        |           |
|------------------------------------------------------------------------------------------------------------------|---------------------------|------------------------------------------------------------------------|-----------|
|                                                                                                                  | ASO<br>Uninsured<br>Plans | Uninsured<br>Portion of<br>Partially<br>Insured Plans<br>(In millions) | Total ASO |
| Net reimbursement for administrative expenses<br>(including administrative fees) in excess of actual<br>expenses | \$ 2.2                    | \$ -                                                                   | \$ 2.2    |
| Total net other income or expenses (including<br>interest paid to or received from plans)                        | 0.8                       | -                                                                      | 0.8       |
| Net gain from operations                                                                                         | 1.4                       | -                                                                      | 1.4       |
| Total claim payment volume                                                                                       | 405                       | -                                                                      | 405       |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 14 – LEASES

#### New York Home Office Building:

In June 1998, the Company executed a 21-year lease for its New York home office facility. The Company may purchase the building on September 30, 2019 by exercising the purchase option between September 30, 2015 and March 31, 2017. The Company, if not exercising the purchase option, may renew the lease term, for all or part of the building, for a 15-year and then a 10-year term. A portion of the property is subleased to tenants under lease terms expiring through 2019. The lease is classified as operating. Rental expense for the property was \$21 million for the years ended December 31, 2015 and December 31, 2014. Sublease income was \$9 million for the years ended December 31, 2015 and December 31, 2014.

The following is a schedule by year of the minimum rental payments due under the lease:

|                          | (In millions) |
|--------------------------|---------------|
| Year ending December 31, |               |
| 2016                     | \$ 21         |
| 2017                     | 21            |
| 2018                     | 21            |
| 2019                     | 16            |
| Total                    | <u>\$ 79</u>  |

The minimum aggregate sublease income is as follows:

|                          | (In millions) |
|--------------------------|---------------|
| Year ending December 31, |               |
| 2016                     | \$ 9          |
| 2017                     | 9             |
| 2018                     | 9             |
| 2019                     | 7             |
| Total                    | <u>\$ 34</u>  |



# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 14 – LEASES (CONTINUED)

#### Other Leases:

Substantially all remaining leases of the Company are operating leases principally for the rental of real estate. Rental expense for these properties was \$8 million for years ended December 31, 2015 and December 31, 2014, respectively. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year:

|                          | (In millions) |           |
|--------------------------|---------------|-----------|
| Year ending December 31, |               |           |
| 2016                     | \$            | 11        |
| 2017                     |               | 12        |
| 2018                     |               | 10        |
| 2019                     |               | 9         |
| 2020                     |               | 8         |
| Total                    | \$            | <u>50</u> |

On January 26, 2015 the Company signed a long-term lease agreement with GLICA Bethlehem, LLC. Under the terms of the lease agreement GLICA Bethlehem, LLC will build an office building in Bethlehem, PA according to specifications provided by the Company. The building will be used by the Company for business support operations. The twenty year lease obligates the Company to pay approximately \$5 million in annual base rent subject to adjustment upon substantial completion of the Tenant work, plus operating expenses and taxes. Rent payments will beginning ninety days after the substantial completion of the building which is expected to be in the second half of 2016.

### NOTE 15 – COMMITMENTS

Commitments to fund real estate, private equities, mortgage loans, and private placements in the normal course of business totaled \$1,160 million and \$977 million as of December 31, 2015 and December 31, 2014, respectively.

### NOTE 16 – LITIGATION

The Company is engaged in various legal actions, in the ordinary course of business, arising out of its insurance, broker-dealer and investment operations. In the opinion of management, any losses together with the ultimate liability resulting from such actions would not have a material adverse effect on the financial position of the Company.

### NOTE 17 – LINES OF CREDIT

The Company has \$75 million in unsecured credit available. The interest rate on these lines is calculated on a base rate such as the bank's Prime rate plus a spread which varies from 0 - 125bps depending on the bank, or LIBOR plus a spread which varies from 75 - 125bps depending on the bank. The Company did not use the lines of credit during 2015 or 2014 and had \$0 outstanding liability at December 31, 2015 or December 31, 2014.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 18 – POLICYHOLDERS’ SURPLUS

There were no special contingency reserves included in policyholder’s surplus at December 31, 2015 or December 31, 2014. The Company holds other reserves totaling \$4 million at December 31, 2015 and 2014, as required by New York State law for aviation business and Arkansas permanent surplus requirements. Surplus at December 31, 2015 and December 31, 2014 is as follows:

|                                   | <u>2015</u>            | <u>2014</u>            |
|-----------------------------------|------------------------|------------------------|
|                                   | (In millions)          |                        |
| Accumulated earnings              | \$ 7,470               | \$ 7,036               |
| Unrealized loss - common stock    | (281)                  | (234)                  |
| Asset valuation reserve           | (798)                  | (754)                  |
| Nonadmitted asset values          | <u>(305)</u>           | <u>(360)</u>           |
| Total unassigned surplus          | 6,086                  | 5,688                  |
| State required segregated surplus | <u>4</u>               | <u>4</u>               |
| Surplus                           | <u><u>\$ 6,090</u></u> | <u><u>\$ 5,692</u></u> |

### NOTE 19 – FINANCIAL INFORMATION

The following reconciles the New York SAP net income and surplus of Guardian as reported to regulatory authorities to consolidated GAAP income and GAAP equity:

|                                                     | <u>2015</u>          | <u>2014</u>          |
|-----------------------------------------------------|----------------------|----------------------|
|                                                     | (In millions)        |                      |
| Statutory net income                                | \$ 433               | \$ 712               |
| Adjustments to GAAP basis:                          |                      |                      |
| Realized capital gains                              | 294                  | 142                  |
| Capitalization of deferred policy acquisition costs | (11)                 | 93                   |
| Future policy benefits                              | (970)                | (961)                |
| Elimination of IMR amortization                     | (103)                | (112)                |
| Establishment of deferred federal income taxes      | 127                  | (30)                 |
| Service fees                                        | 735                  | 759                  |
| Policyholder dividends                              | 27                   | 4                    |
| Elimination of interest on affiliate reinsurance    | (141)                | (138)                |
| Other                                               | <u>(41)</u>          | <u>(33)</u>          |
| Consolidated GAAP income                            | <u><u>\$ 350</u></u> | <u><u>\$ 436</u></u> |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 19 – FINANCIAL INFORMATION (CONTINUED)

|                                                                    | 2015          | 2014      |
|--------------------------------------------------------------------|---------------|-----------|
|                                                                    | (In millions) |           |
| Statutory surplus                                                  | \$ 6,090      | \$ 5,692  |
| Adjustments to GAAP basis:                                         |               |           |
| Capitalization of deferred policy acquisition costs                | 3,854         | 3,010     |
| Deferred software costs                                            | 48            | 55        |
| Future policy benefits                                             | (6,967)       | (6,428)   |
| Elimination of IMR                                                 | 373           | 412       |
| Elimination of AVR                                                 | 798           | 754       |
| Establishment of additional deferred federal income taxes          | (1,126)       | (1,618)   |
| Policyholder dividends                                             | 396           | 368       |
| Surplus notes                                                      | (845)         | (845)     |
| Unrealized gains on investments and GAAP adjustments of affiliates | 7,286         | 9,112     |
| Consolidated GAAP equity                                           | \$ 9,907      | \$ 10,512 |

### NOTE 20 – SURPLUS NOTE

On October 6, 2009, the Company issued Surplus Notes (“Existing Notes”) with a principal balance of \$400 million, bearing interest at 7.375%, and a maturity date of September 30, 2039. Proceeds from the issuance of the Existing Notes were \$392.4 million, net of discounts and fees. The Existing Notes were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and will be administered by The Bank of New York Mellon as fiscal agent. Interest on these Existing Notes is scheduled to be paid semiannually on March 31 and September 30 of each year. The Existing Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York Insurance Law, the Existing Notes are not part of the legal liabilities of the Company. The Existing Notes do not repay principal prior to maturity. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds that the Superintendent determines to be available for such payments under New York Insurance Law. Provided that approval is granted by the Superintendent, the Existing Notes may be redeemed at the option of the Company at any time (in whole or in part) at the “make-whole” redemption price equal to the greater of the principal amount of the Existing Notes to be redeemed, or the sum of the present value of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the Existing Notes are to be redeemed, discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 50 basis points. The Company paid \$30 million in interest for the years ended December 31, 2015 and 2014, respectively.

On June 19, 2014 the Company issued Surplus Notes (“Notes”) with a principal balance of \$450 million, bearing interest at 4.875%, and a maturity date of June 19, 2064. Proceeds from the issuance of the Notes were \$444.6 million, net of discounts and fees. The Notes were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and will be administered by The Bank of New York Mellon as fiscal agent. Interest on these Notes is scheduled to be paid semiannually on June 19 and December 19 of each year. The Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York Insurance Law, the Notes are not part of the legal liabilities of the Company. The Notes do not repay principal prior to maturity. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds that the Superintendent determines to be available for such payments under New York Insurance Law. Provided that approval is granted by the Superintendent, the Notes may be redeemed at the option of the Company at any time (in whole or in part) at the “make-whole” redemption price equal to the greater of the principal amount of the Notes to be redeemed, or the sum of the present value of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the Notes are to be redeemed, discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 25 basis points. The Company paid \$22 in interest for the year ended December 31, 2015 and \$11 for the year ended December 31, 2014.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 21 – UNCLAIMED PROPERTY

The Company holds reserves for potential liability totaling \$12 million at December 31, 2015 and \$18 million at December 31, 2014, respectively. The Company has recorded paid claims of \$4 million in 2015 and \$3 million in 2014.

### NOTE 22 – SUBSEQUENT EVENTS

The Company considers events occurring after the balance sheet date but prior to February 26, 2016, the issuance of the financial statements to be subsequent events requiring disclosure.

The health insurance industry assessment mandated by the Patient Protection and Affordable Care Act of 2010 was levied on health insurers beginning in 2014 based on a ratio of an insurer's net health insurance premiums written for the previous calendar year compared to the total premiums written by U.S. health insurance industry for that year. The Company recorded a liability for the amount of its expected fee as of January 1, 2015 of \$35 million and as of January 1, 2014 of \$41 million. It paid the actual fee amount of \$36 million and \$27 million to the U.S. Treasury in September 2015 and 2014, respectively. On January 1, 2016 the Company will record a liability in the amount of \$35 million for estimated fee to be paid in September 2016. The estimated fee is based on \$1,995 million of dental and vision premium written in 2015. The 2015 fee amount was based on \$1,909 million of dental and vision premiums written in 2014. The Company's Total Adjusted Capital on December 31, 2015 was \$7,358 million and the Authorized Control Level reported on its December 31, 2015 RBC was \$648 million. After adjusting for \$35 million recorded in special surplus that pertains to the estimated 2016 fee the Company's Total Adjusted Capital was \$7,323 million and its RBC Authorized Control Level was \$648 million. An RBC action level would not have been triggered had the fee for 2016 been reported as of December 31, 2015.

The Company plans on transferring 20 Real Estate Joint Ventures with a carrying amount of \$229 million as of December 31, 2015 currently reported on the Balance Sheet as Other Invested Assets, to GIS during the first quarter of 2016. The transfer will be accounted for as a capital contribution.

In January 2016 as part of the terms of its reinsurance agreement with BLICOA, the Company requested that BLICOA pay a partial amount of the Annual Funds Withheld Increase it recorded in 2015. BLICOA paid the Company the agreed upon settlement amount of \$65 million in January 2016. The settlement consisted of \$33 million of bonds and \$32 million of cash.

On January 29, 2016, the Company made a capital contribution of \$201 million to FCW, Inc. The funds were used to acquire Avēsis Incorporated, a leading administrator of vision, dental, and hearing programs in both the commercial and government markets.

**Guardian Life Insurance Company of America**  
**Annual Statement for the Year Ended December 31, 2015**  
**Schedule 1 - Selected Financial Data**

The following is a summary of certain financial data included in other exhibits and schedules subjected to audit procedures by independent auditors and utilized by actuaries in the determination of reserves.

|                                                                                  |                         | 2015 Annual Statement<br>References |
|----------------------------------------------------------------------------------|-------------------------|-------------------------------------|
| <b>Investment Income Earned</b>                                                  |                         | Exhibit of Net Investment Income    |
| Government Bonds                                                                 | \$ 36,511,704           |                                     |
| Bonds Exempt From US Tax                                                         |                         |                                     |
| Other Bonds (unaffiliated)                                                       | 1,443,051,915           |                                     |
| Bonds of Affiliates                                                              |                         |                                     |
| Preferred Stocks (unaffiliated)                                                  | 7,805,978               |                                     |
| Preferred Stocks of Affiliates                                                   |                         |                                     |
| Common Stocks (unaffiliated)                                                     | 9,487,797               |                                     |
| Common Stocks of Affiliates                                                      | 28,486,700              |                                     |
| Mortgages Loans                                                                  | 158,704,222             |                                     |
| Real Estate                                                                      | 74,338,876              |                                     |
| Contract Loans                                                                   | 240,835,282             |                                     |
| Cash/Short-term Investments                                                      | 2,710,540               |                                     |
| Other Invested Assets                                                            | 164,841,921             |                                     |
| Derivative Instruments                                                           | 471,672                 |                                     |
| Aggregate Write-Ins for Investment Income                                        | <u>6,574,450</u>        |                                     |
| Gross Investment Income                                                          | <u>\$ 2,173,821,057</u> |                                     |
| <b>Real Estate Owned - Book Value less Encumbrances</b>                          | <u>\$ 429,569,129</u>   | Schedule A - Part 1                 |
| <b>Mortgage Loans - Book Value:</b>                                              |                         |                                     |
| Farm Mortgages                                                                   | \$ -                    | Schedule B - Part 1                 |
| Residential Mortgages                                                            | -                       |                                     |
| Commercial Mortgages                                                             | <u>3,387,932,702</u>    |                                     |
| Total Mortgage Loans                                                             | <u>\$ 3,387,932,702</u> |                                     |
| <b>Mortgage Loans by Standing - Book Value:</b>                                  |                         |                                     |
| Good Standing                                                                    | <u>3,387,932,702</u>    | Schedule B, Part 1                  |
| Good Standing with Restructured Terms                                            | <u>-</u>                | Schedule B, Part 1                  |
| Interest overdue more than 90 days, not<br>in foreclosure                        | <u>-</u>                | Schedule B, Part 1                  |
| Foreclosure in Process                                                           | <u>-</u>                | Schedule B, Part 1                  |
| <b>Other Long Term Assets - Statement Value</b>                                  | 1,902,989,267           | Schedule BA, Part 1                 |
| <b>Bonds and Stocks of Parents, Subsidiaries and<br/>Affiliates - Book Value</b> |                         | Schedule D - Summary by Country     |
| Bonds                                                                            | <u>31,715,928,066</u>   |                                     |
| Preferred Stocks                                                                 | <u>166,835,343</u>      |                                     |
| Common Stocks                                                                    | <u>1,462,364,696</u>    |                                     |

# Schedule 1 - Selected Financial Data - Continued

2015 Annual Statement

References

## Bonds and Short Term Investments by Class & Maturity

Schedule D, Part 1A Sec 1

### Bonds by Maturity - Statement Value

|                                |                  |
|--------------------------------|------------------|
| Due within one year or less    | \$ 1,420,059,919 |
| Over 1 year through 5 years    | 4,980,295,544    |
| Over 5 years through 10 years  | 11,646,651,622   |
| Over 10 years through 20 years | 3,719,501,475    |
| Over 20 years                  | 10,773,403,954   |

|                   |                          |
|-------------------|--------------------------|
| Total by Maturity | <u>\$ 32,539,912,514</u> |
|-------------------|--------------------------|

### Bonds by Class - Statement Value

|         |                   |
|---------|-------------------|
| Class 1 | \$ 16,973,797,961 |
| Class 2 | 13,531,078,073    |
| Class 3 | 1,003,386,675     |
| Class 4 | 892,942,016       |
| Class 5 | 138,707,789       |
| Class 6 | -                 |

|                |                          |
|----------------|--------------------------|
| Total by Class | <u>\$ 32,539,912,514</u> |
|----------------|--------------------------|

### Total Bonds Publicly Traded

21,425,418,047

### Total Bonds Privately Placed

11,114,494,467

### Preferred Stocks - Statement Value

166,835,343

### Common Stocks - Market Value

1,462,364,696

### Short Term Investments - Book Value

22,603,623

### Options, Caps Floors, Collars, Swaps and Forwards

4,032,982

### Futures Contracts

7,837,572

### Cash on Deposit

(45,920,026)

### Life Insurance In Force

|             |             |
|-------------|-------------|
| Industrial  | -           |
| Ordinary    | 197,096,361 |
| Credit Life | -           |
| Group Life  | 219,217,789 |

### Amount of Accidental Death Insurance In Force Under

|                   |           |
|-------------------|-----------|
| Ordinary Policies | 1,052,102 |
|-------------------|-----------|

### Life Insurance Policies with Disability Provisions In Force

|             |             |
|-------------|-------------|
| Industrial  | -           |
| Ordinary    | 178,052,457 |
| Credit Life | -           |
| Group Life  | 219,166,369 |

### Supplementary Contracts In Force

Ordinary - Not Involving Life Contingencies

-

|                   |             |
|-------------------|-------------|
| Amount on Deposit | 215,996,361 |
|-------------------|-------------|

|                |        |
|----------------|--------|
| Income Payable | 17,000 |
|----------------|--------|

### Ordinary - Involving Life Contingencies

|                |     |
|----------------|-----|
| Income Payable | 411 |
|----------------|-----|

Schedule D, Part 2, Sec. 1

Schedule D, Part 2, Sec. 2

Schedule DA, Part 1

Schedule DB, Part A,

Schedule DB, Part B,

Schedule E, Part 1

Exhibit of Life Insurance

Exhibit of Life Insurance

Exhibit of Life Insurance

Exhibit of Number of Policies,  
Contracts, Certificates, Income Payable,  
Account Values In Force for Supplementary  
Contracts, Annuities, A&H and Other Policies

**Schedule 1 - Selected Financial Data - Continued**

|                                                          |               | 2015 Annual Statement<br>References          |
|----------------------------------------------------------|---------------|----------------------------------------------|
| <hr/>                                                    |               |                                              |
| Group - Not Involving Life Contingencies                 |               |                                              |
| Amount on Deposit                                        | 52,445,919    |                                              |
| Income Payable                                           | -             |                                              |
| Group - Involving Life Contingencies                     |               |                                              |
| Amount on Deposit                                        | -             |                                              |
| Income Payable                                           | -             |                                              |
| <b>Annuities - Ordinary</b>                              |               | Exhibit of Number of Policies,               |
| Immediate - Amount of Income Payable                     | 662,111       | Contracts, Certificates, Income Payable,     |
| Deferred - Fully Paid Account Balance                    | 52,528,246    | Account Values In Force for Supplementary    |
| Deferred - Not Fully Paid - Account Balance              | 168,283,097   | Contracts, Annuities, A&H and Other Policies |
| <b>Annuities - Group</b>                                 |               |                                              |
| Amount of Income Payable                                 | 1,778,091     | Exhibit of Number of Policies,               |
| Fully Paid Account Balance                               | 6,645,782     | Contracts, Certificates, Income Payable,     |
| Not Fully Paid - Account Balance                         | -             | Account Values In Force for Supplementary    |
|                                                          |               | Contracts, Annuities, A&H and Other Policies |
| <b>Accident and Health Insurance - Premiums In Force</b> |               |                                              |
| Ordinary                                                 | -             |                                              |
| Group                                                    | 2,818,053,084 |                                              |
| Credit                                                   | -             |                                              |
| Other                                                    | 455,465,576   |                                              |
| <b>Deposit Funds and Dividend Accumulations</b>          |               | Exhibit of Number of Policies,               |
| Deposit Funds - Account Balance                          | 27,613,384    | Contracts, Certificates, Income Payable,     |
| Dividend Accumulations - Account Balance                 | 104,334,290   | Account Values In Force for Supplementary    |
|                                                          |               | Contracts, Annuities, A&H and Other Policies |
| <b>Claim Payments 2015</b>                               |               | Schedule O, Part 1                           |
| Group Accident and Health Year - Ended December 31, 2015 |               | Section A                                    |
| 2015                                                     | 1,433,083     |                                              |
| 2014                                                     | 1,532,671     |                                              |
| 2013                                                     | 1,512,179     |                                              |
| 2012                                                     | 1,453,746     |                                              |
| 2011                                                     | 1,586,133     |                                              |
| Prior                                                    | 589,556       |                                              |
| Other Accident & Health                                  |               | Section B                                    |
| 2015                                                     | 25,941        |                                              |
| 2014                                                     | 27,634        |                                              |
| 2013                                                     | 22,829        |                                              |
| 2012                                                     | 20,050        |                                              |
| 2011                                                     | 18,264        |                                              |
| Prior                                                    | 115,724       |                                              |
| Credit Accident & Health                                 | -             | Section C                                    |
| 2015                                                     | -             |                                              |
| 2014                                                     | -             |                                              |
| 2013                                                     | -             |                                              |
| 2012                                                     | -             |                                              |
| 2011                                                     | -             |                                              |
| Prior                                                    | -             |                                              |

# Schedule 1 - Selected Financial Data - Continued

2015 Annual Statement  
References

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Other Coverages that use developmental methods to calculate

Claims Reserves:

Section D

|       |   |
|-------|---|
| 2015  | - |
| 2014  | - |
| 2013  | - |
| 2012  | - |
| 2011  | - |
| Prior | - |

Other Coverages that use developmental methods to calculate

Claims Reserves:

Section E

|       |   |
|-------|---|
| 2015  | - |
| 2014  | - |
| 2013  | - |
| 2012  | - |
| 2011  | - |
| Prior | - |

Other Coverages that use developmental methods to calculate

Claims Reserves:

Section F

|       |   |
|-------|---|
| 2015  | - |
| 2014  | - |
| 2013  | - |
| 2012  | - |
| 2011  | - |
| Prior | - |

Other Coverages that use developmental methods to calculate

Claims Reserves:

Section G

|       |   |
|-------|---|
| 2015  | - |
| 2014  | - |
| 2013  | - |
| 2012  | - |
| 2011  | - |
| Prior | - |



**The Guardian Life Insurance Company of America**  
**Investments of Reporting Entities**  
**December 31, 2015**

**Section 2 Investment Risk Interrogatories**

Answer the following interrogatories by stating the applicable U.S dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of the annual statement.  
\$48,120,890,403

2. Ten largest exposures to a single issuer/borrower/investment.

|      | Issuer                             | Description of Exposure | Amount         | Percentage of Total Admitted Assets |
|------|------------------------------------|-------------------------|----------------|-------------------------------------|
| 2.01 | GUARDIAN INVESTOR SERVICES         | Stock                   | \$ 533,568,272 | 1.1%                                |
| 2.02 | FIRST COMMON WEALTH INSURANCE CO   | Stock                   | \$ 437,571,181 | 0.9%                                |
| 2.03 | GUARDIAN INS & ANNUITY CO NY, NY   | Stock                   | \$ 259,762,086 | 0.5%                                |
| 2.04 | MORGAN STANLEY                     | Bonds/Stock             | \$ 254,875,532 | 0.5%                                |
| 2.05 | HISTORIC TW INC                    | Bonds/Stock             | \$ 246,690,380 | 0.5%                                |
| 2.06 | JPMORGAN CHASE & CO                | Bonds                   | \$ 242,759,665 | 0.5%                                |
| 2.07 | VERIZON COMMUNICATIONS             | Bonds/Stock             | \$ 242,435,132 | 0.5%                                |
| 2.08 | GOLDMAN SACHS                      | Bonds/Stock             | \$ 229,230,859 | 0.5%                                |
| 2.09 | RS MUTUAL FUNDS                    | Stock                   | \$ 218,740,977 | 0.5%                                |
| 2.10 | BERKSHIRE LIFE INSURANCE CO OF AME | Stock                   | \$ 207,942,489 | 0.4%                                |

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating:

|      | Bonds  | Amount            | % of Total Admitted Assets | Preferred Stocks | Amount        | % of Total Admitted Assets |
|------|--------|-------------------|----------------------------|------------------|---------------|----------------------------|
| 3.01 | NAIC-1 | \$ 16,973,797,961 | 35.3%                      | P/RP-1           | \$ -          | 0.0%                       |
| 3.02 | NAIC-2 | \$ 13,531,078,073 | 28.1%                      | P/RP-2           | \$ 93,130,409 | 0.2%                       |
| 3.03 | NAIC-3 | \$ 1,003,386,675  | 2.1%                       | P/RP-3           | \$ 27,551,481 | 0.1%                       |
| 3.04 | NAIC-4 | \$ 892,942,016    | 1.9%                       | P/RP-4           | \$ 9,081,250  | 0.0%                       |
| 3.05 | NAIC-5 | \$ 138,707,789    | 0.3%                       | P/RP-5           | \$ 11,086,110 | 0.0%                       |
| 3.06 | NAIC-6 | \$                | 0.0%                       | P/RP-6           | \$ 25,986,092 | 0.1%                       |

4. Assets held in foreign investments:

- 4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?  
Yes ☐ No ☒

If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

|      |                                                                 |                  |       |
|------|-----------------------------------------------------------------|------------------|-------|
| 4.02 | Total admitted assets held in foreign investments               | \$ 7,042,186,576 | 14.6% |
| 4.03 | Foreign-currency-denominated investments                        | \$ 141,931,602   | 0.3%  |
| 4.04 | Insurance liabilities denominated in that same foreign currency | \$ -             | 0.0%  |

5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

|                                      | 1                | 2     |
|--------------------------------------|------------------|-------|
| 5.01 Countries rated NAIC-1          | \$ 6,372,103,912 | 13.2% |
| 5.02 Countries rated NAIC-2          | \$ 612,583,444   | 1.3%  |
| 5.03 Countries rated NAIC-3 or below | \$ 57,499,219    | 0.1%  |

6. Largest foreign investment exposures to a single country, categorized by NAIC sovereign rating:

|                                 | 1                | 2    |
|---------------------------------|------------------|------|
| Countries rated NAIC-1          |                  |      |
| 6.01 Country: Great Britain     | \$ 1,758,002,920 | 3.7% |
| 6.02 Country: Australia         | \$ 1,144,904,166 | 2.4% |
| Countries rated NAIC-2:         |                  |      |
| 6.03 Country: Mexico            | \$ 386,146,810   | 0.8% |
| 6.04 Country: Spain             | \$ 64,103,741    | 0.1% |
| Countries rated NAIC-3 or below |                  |      |
| 6.05 Country: Marshall Islands  | \$ 26,681,474    | 0.1% |
| 6.06 Country: Costa Rica        | \$ 17,000,000    | 0.0% |

7. Aggregate unhedged foreign currency exposure: \$ - 0.0%

8. Aggregate unhedged foreign currency exposure categorized by the country's NAIC sovereign rating:

|                                      | 1    | 2    |
|--------------------------------------|------|------|
| 8.01 Countries rated NAIC-1          | \$   | 0.0% |
| 8.02 Countries rated NAIC-2          | \$   | 0.0% |
| 8.03 Countries rated NAIC-3 or below | \$ - | 0.0% |

9. Largest unhedged foreign currency exposures to a single country, categorized by the country's NAIC sovereign rating:

|                                 | 1    | 2    |
|---------------------------------|------|------|
| Countries rated NAIC-1:         |      |      |
| 9.01 Country:                   | \$   | 0.0% |
| 9.02 Country:                   | \$   | 0.0% |
| Countries rated NAIC-2:         |      |      |
| 9.03 Country:                   | \$   | 0.0% |
| 9.04 Country:                   | \$   | 0.0% |
| Countries rated NAIC-3 or below |      |      |
| 9.05 Country:                   | \$ - | 0.0% |
| 9.06 Country:                   | \$ - | 0.0% |

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

|       | Issuer                    | NAIC | 3             | 4    |
|-------|---------------------------|------|---------------|------|
| 10.01 | BHP BILLITON FIN USA LTD  | 1FE  | \$ 69,199,460 | 0.1% |
| 10.02 | GE CAPITAL INTL FUNDING   | 1FE  | \$ 58,697,693 | 0.1% |
| 10.03 | RABOBANK NEDERLAND        | 1FE  | \$ 55,415,074 | 0.1% |
| 10.04 | SIEMENS FINANCIERINGSMA T | 1FE  | \$ 54,705,146 | 0.1% |
| 10.05 | TRANS-CANADA PIPELINES    | 1FE  | \$ 50,300,901 | 0.1% |
| 10.06 | HS1 LIMITED               | 1FE  | \$ 50,000,000 | 0.1% |
| 10.07 | ACTA VIS FUNDING SCS      | 2FE  | \$ 47,805,716 | 0.1% |
| 10.08 | ELECTRICITE DE FRANCE SA  | 1FE  | \$ 47,563,315 | 0.1% |
| 10.09 | STANDARD CHARTERED PLC    | 1FE  | \$ 38,594,453 | 0.1% |
| 10.10 | STATOIL ASA               | 1FE  | \$ 38,409,633 | 0.1% |

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure.

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?  
Yes [ X ] No [ ]

If response to 11.01 is yes, detail is not required for the remainder of interrogatory 11

|       |                                                    |      |      |
|-------|----------------------------------------------------|------|------|
| 11.02 | Total admitted assets held in Canadian investments | \$ - | 0.0% |
| 11.03 | Canadian-currency-denominated investments          | \$ - | 0.0% |
| 11.04 | Canadian-denominated insurance liabilities         | \$ - | 0.0% |
| 11.05 | Unhedged Canadian currency exposure                | \$ - | 0.0% |

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?  
Yes [X] No [ ]

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

|       | 1                                                                            | 2 | 3    |
|-------|------------------------------------------------------------------------------|---|------|
| 12.02 | Aggregate statement value of investments with contractual sales restrictions |   |      |
|       | Largest three investments with contractual sales restrictions:               |   |      |
|       | \$ -                                                                         |   | 0.0% |
| 12.03 | \$ -                                                                         |   | 0.0% |
| 12.04 | \$ -                                                                         |   | 0.0% |
| 12.05 | \$ -                                                                         |   | 0.0% |

13. Amounts and percentages of admitted assets held in the largest ten equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets?

Yes ☐ No ☒

If response to 13.01 is yes, responses are not required for the remainder of Interrogatory 13.

|       | 1<br>Name of Issuer                    | 2              | 3    |
|-------|----------------------------------------|----------------|------|
| 13.02 | GUARDIAN INVESTOR SERVICES             | \$ 533,568,272 | 1.1% |
| 13.03 | FIRST COMMON WEALTH INSURANCE COMPANY  | \$ 437,571,181 | 0.9% |
| 13.04 | GUARDIAN INS & ANNUITY CO NY, NY       | \$ 259,762,086 | 0.5% |
| 13.05 | RS MUTUAL FUNDS                        | \$ 218,740,977 | 0.5% |
| 13.06 | BERKSHIRE LIFE INSURANCE CO OF AMERICA | \$ 207,942,489 | 0.4% |
| 13.07 | ISHARES MSCI EAFE INDEX FUND           | \$ 94,242,369  | 0.2% |
| 13.08 | PARK AVENUE LIFE INSURANCE COMPANY     | \$ 50,644,336  | 0.1% |
| 13.09 | ISHARES NASDAQ BIOTECH INDEX           | \$ 50,118,959  | 0.1% |
| 13.10 | SPDR GOLD TRUST                        | \$ 24,338,631  | 0.1% |
| 13.11 | POWERSHARES DB AGRICULTURE             | \$ 21,286,482  | 0.0% |

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01. Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?

Yes ☒ No ☐

If response to 14.01 is yes, responses are not required for the remainder of Interrogatory 14.

|       | 1                                                                                         | 2    | 3    |
|-------|-------------------------------------------------------------------------------------------|------|------|
| 14.02 | Aggregate statement value of investments held in nonaffiliated, privately placed equities |      |      |
|       | Largest three investments held in nonaffiliated, privately placed equities:               | \$ - | 0.0% |
| 14.03 |                                                                                           | \$ - | 0.0% |
| 14.04 |                                                                                           | \$ - | 0.0% |
| 14.05 |                                                                                           | \$ - | 0.0% |

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets?

Yes ☒ No ☐

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

|       | 1 | 2  | 3    |
|-------|---|----|------|
| 15.02 |   |    |      |
|       |   | \$ | 0.0% |
| 15.03 |   | \$ | 0.0% |
| 15.04 |   | \$ | 0.0% |
| 15.05 |   | \$ | 0.0% |

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets?

Yes [ ] No [X]

If response to 16.01 is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

|       | Type (Residential, Commercial, Agriculture) |    | 2           | 3    |
|-------|---------------------------------------------|----|-------------|------|
| 16.02 | COMMERCIAL                                  | \$ | 110,750,000 | 0.2% |
| 16.03 | COMMERCIAL                                  | \$ | 87,304,299  | 0.2% |
| 16.04 | COMMERCIAL                                  | \$ | 74,252,631  | 0.2% |
| 16.05 | COMMERCIAL                                  | \$ | 73,056,506  | 0.2% |
| 16.06 | COMMERCIAL                                  | \$ | 71,749,559  | 0.1% |
| 16.07 | COMMERCIAL                                  | \$ | 61,017,456  | 0.1% |
| 16.08 | COMMERCIAL                                  | \$ | 59,246,225  | 0.1% |
| 16.09 | COMMERCIAL                                  | \$ | 55,273,346  | 0.1% |
| 16.10 | COMMERCIAL                                  | \$ | 53,183,592  | 0.1% |
| 16.11 | COMMERCIAL                                  | \$ | 52,923,637  | 0.1% |

Amount and percentages of the reporting entity's total admitted assets held in the following categories of mortgage loans:

|       |                                              |    | Loans       |      |
|-------|----------------------------------------------|----|-------------|------|
| 16.12 | Construction Loans                           | \$ | 135,294,406 | 0.3% |
| 16.13 | Mortgage loans over 90 days past due         | \$ | -           | 0.0% |
| 16.14 | Mortgage loans in the process of foreclosure | \$ | -           | 0.0% |
| 16.15 | Mortgage loans foreclosed                    | \$ | -           | 0.0% |
| 16.16 | Restructured mortgage loans                  | \$ | -           | 0.0% |

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as

|       |               | Residential |   |      | Commercial |               | Agriculture |    |   |      |
|-------|---------------|-------------|---|------|------------|---------------|-------------|----|---|------|
|       | Loan-to-Value | 1           | 2 |      | 3          | 4             | 5           | 6  |   |      |
| 17.01 | above 95%     | \$          | - | 0.0% | \$         | 18,085,021    | 0.0%        | \$ | - | 0.0% |
| 17.02 | 91% to 95%    | \$          | - | 0.0% | \$         | 36,255,753    | 0.1%        | \$ | - | 0.0% |
| 17.03 | 81% to 90%    | \$          | - | 0.0% | \$         | 5,783,495     | 0.0%        | \$ | - | 0.0% |
| 17.04 | 71% to 80%    | \$          | - | 0.0% | \$         | 60,104,074    | 0.1%        | \$ | - | 0.0% |
| 17.05 | below 70%     | \$          | - | 0.0% | \$         | 3,267,704,359 | 6.8%        | \$ | - | 0.0% |

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

- 1 45,505,224
- 2 40,232,416
- 3 34,681,771
- 4 32,493,206
- 5 29,956,206

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets?

Yes ☒ No ☐

If response to 18.01. is yes, responses are not required for the remainder of Interrogatory 18

Largest five investments in any one parcel or group of contiguous parcels of real estate.

|       | Description |    | 2 | 3    |
|-------|-------------|----|---|------|
|       | 1           |    |   |      |
| 18.02 |             | \$ | - | 0.0% |
| 18.03 |             | \$ | - | 0.0% |
| 18.04 |             | \$ | - | 0.0% |
| 18.05 |             | \$ | - | 0.0% |
| 18.06 |             | \$ | - | 0.0% |

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans: 62,771,143 -0.15%

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets?  
Yes [X] No [ ]

If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.

|                                                                                     | 1    | 2    | 3 |
|-------------------------------------------------------------------------------------|------|------|---|
| 19.02 Aggregate statement value of investments held in mezzanine real estate loans: |      |      |   |
| Largest three investments held in mezzanine real estate loans: \$                   | \$ - | 0.0% |   |
| 19.03                                                                               | \$ - | 0.0% |   |
| 19.04                                                                               | \$ - | 0.0% |   |
| 19.05                                                                               | \$ - | 0.0% |   |

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

|                                                                                           | At Year-end |      | 1st Qtr        | At End of Each Quarter |               | 3rd Quarter |
|-------------------------------------------------------------------------------------------|-------------|------|----------------|------------------------|---------------|-------------|
|                                                                                           | 1           | 2    | 3              | 2nd Quarter            | 4             | 5           |
| 20.01 Securities lending (do not include assets held as collateral for such transactions) | \$ -        | 0.0% | \$ -           | \$ -                   | \$ -          | \$ -        |
| 20.02 Repurchase agreements                                                               | \$ -        | 0.0% | \$ 15,100,000  | \$ -                   | \$ -          | \$ -        |
| 20.03 Reverse repurchase agreements                                                       | \$ -        | 0.0% | \$ 1,596,000   | \$ 744,800             | \$ -          | \$ -        |
| 20.04 Dollar repurchase agreements                                                        | \$ -        | 0.0% | \$ 153,892,946 | \$ 98,890,038          | \$ 95,360,005 | \$ -        |
| 20.05 Dollar reverse repurchase agreements                                                | \$ -        | 0.0% | \$ -           | \$ -                   | \$ -          | \$ -        |

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floor:

|                         | Owned |      | Written |      |
|-------------------------|-------|------|---------|------|
|                         | 1     | 2    | 3       | 4    |
| 21.01 Hedge             | \$ -  | 0.0% | \$ -    | 0.0% |
| 21.02 Income generation | \$ -  | 0.0% | \$ -    | 0.0% |
| 21.03 Other             | \$ -  | 0.0% | \$ -    | 0.0% |

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

|                         | At Year-end  |      | 1st Qtr      | At End of Each Quarter |              | 3rd Qtr |
|-------------------------|--------------|------|--------------|------------------------|--------------|---------|
|                         | 1            | 2    | 3            | 2nd Qtr                | 4            | 5       |
| 22.01 Hedging           | \$ 2,453,145 | 0.0% | \$ 2,296,627 | \$ 2,434,002           | \$ 2,513,341 | \$ -    |
| 22.02 Income generation | \$ -         | 0.0% | \$ -         | \$ -                   | \$ -         | \$ -    |
| 22.03 Replications      | \$ 557,636   | 0.0% | \$ -         | \$ -                   | \$ -         | \$ -    |
| 22.04 Other             | \$ -         | 0.0% | \$ -         | \$ -                   | \$ -         | \$ -    |

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for future contracts:

|                         | At Year-end  |      | 1st Quarter  | At End of Each Quarter |              | 3rd Quarter |
|-------------------------|--------------|------|--------------|------------------------|--------------|-------------|
|                         | 1            | 2    | 3            | 2nd Quarter            | 4            | 5           |
| 23.01 Hedging           | \$ 7,653,500 | 0.0% | \$ 7,397,850 | \$ 7,466,400           | \$ 7,834,200 | \$ -        |
| 23.02 Income generation | \$ -         | 0.0% | \$ -         | \$ -                   | \$ -         | \$ -        |
| 23.03 Replications      | \$ -         | 0.0% | \$ -         | \$ -                   | \$ -         | \$ -        |
| 23.04 Other             | \$ -         | 0.0% | \$ -         | \$ -                   | \$ -         | \$ -        |

**THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA**  
**As of December 31, 2015**

**Appendix A-001**

**Section 3. Summary Investment Schedule**

| Investment Categories                                                                                                                             | Gross Investment Holdings* |                | Admitted Assets as Reported in the Annual Statement |                                                 |                           |                |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------|-----------------------------------------------------|-------------------------------------------------|---------------------------|----------------|
|                                                                                                                                                   | Amount                     | Percentage     | Amount                                              | Securities Lending Reinvested Collateral Amount | Total (Col. 3 + 4) Amount | Percentage     |
|                                                                                                                                                   |                            |                |                                                     | Amount                                          | Amount                    |                |
| 1. Bonds:                                                                                                                                         |                            |                |                                                     |                                                 |                           |                |
| 1.1 US Treasury Securities                                                                                                                        | \$ 1,638,452,395           | 3.794%         | \$ 1,638,452,395                                    |                                                 | \$ 1,638,452,395          | 3.794%         |
| 1.2 US Government agency and corporate obligations (excluding mortgage-backed securities):                                                        |                            |                |                                                     |                                                 |                           |                |
| 1.21 Issued by US Government Agencies                                                                                                             | 4,765,633                  | 0.011%         | 4,765,633                                           |                                                 | 4,765,633                 | 0.011%         |
| 1.22 Issued by US Government-sponsored agencies                                                                                                   | -                          | 0.00%          | -                                                   |                                                 | -                         | 0.000%         |
| 1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)                                                                  | 156,592,586                | 0.363%         | 156,592,586                                         |                                                 | 156,592,586               | 0.363%         |
| 1.4 Securities issued by states, territories and possessions and political subdivisions in the US:                                                |                            |                |                                                     |                                                 |                           |                |
| 1.41 States, territories and possessions general obligations                                                                                      | 410,470,556                | 0.950%         | 410,470,556                                         |                                                 | 410,470,556               | 0.951%         |
| 1.42 Political subdivisions of states, territories and possessions political subdivisions general obligations                                     | 274,915,754                | 0.637%         | 274,915,754                                         |                                                 | 274,915,754               | 0.637%         |
| 1.43 Revenue and assessment obligations                                                                                                           | 1,457,211,394              | 3.374%         | 1,457,211,394                                       |                                                 | 1,457,211,394             | 3.375%         |
| 1.44 Industrial development and similar obligations                                                                                               | 6,097,848                  | 0.014%         | 6,097,848                                           |                                                 | 6,097,848                 | 0.014%         |
| 1.5 Mortgage-backed securities (includes residential and commercial MBS):                                                                         |                            |                |                                                     |                                                 |                           |                |
| 1.51 Pass-through securities:                                                                                                                     |                            |                |                                                     |                                                 |                           |                |
| 1.511 Issued or guaranteed by GNMA                                                                                                                |                            | 0.00%          |                                                     |                                                 | -                         | 0.00%          |
| 1.512 Issued or guaranteed by FNMA and FHLMC                                                                                                      |                            | 0.00%          |                                                     |                                                 | -                         | 0.00%          |
| 1.513 All other                                                                                                                                   | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.000%         |
| 1.52 CMOs and REMICs:                                                                                                                             |                            |                |                                                     |                                                 |                           |                |
| 1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA                                                                                             |                            | 0.000%         |                                                     |                                                 | -                         | 0.000%         |
| 1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521 | 33,694,198                 | 0.078%         | 33,694,198                                          |                                                 | 33,694,198                | 0.078%         |
| 1.523 All other                                                                                                                                   | 1,090,800,423              | 2.526%         | 1,090,800,423                                       |                                                 | 1,090,800,423             | 2.526%         |
| 2. Other debt and other fixed income securities (excluding short term):                                                                           |                            |                |                                                     |                                                 | -                         |                |
| 2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)                                                         | 19,791,058,470             | 45.827%        | 19,791,058,470                                      |                                                 | 19,791,058,470            | 45.834%        |
| 2.2 Unaffiliated non-U.S. securities (including Canada)                                                                                           | 6,851,868,807              | 15.866%        | 6,851,868,807                                       |                                                 | 6,851,868,807             | 15.868%        |
| 2.3 Affiliated securities                                                                                                                         | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.000%         |
| 3. Equity interests:                                                                                                                              |                            |                |                                                     |                                                 |                           |                |
| 3.1 Investments in mutual funds                                                                                                                   | 218,740,979                | 0.507%         | 218,740,979                                         |                                                 | 218,740,979               | 0.507%         |
| 3.2 Preferred stocks:                                                                                                                             |                            |                |                                                     |                                                 |                           |                |
| 3.21 Affiliated                                                                                                                                   | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.00%          |
| 3.22 Unaffiliated                                                                                                                                 | 166,835,342                | 0.386%         | 166,835,342                                         |                                                 | 166,835,342               | 0.386%         |
| 3.3 Publicly traded equity securities (excluding preferred stocks):                                                                               |                            |                |                                                     |                                                 |                           |                |
| 3.31 Affiliated                                                                                                                                   | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.000%         |
| 3.32 Unaffiliated                                                                                                                                 | 271,068,231                | 0.628%         | 271,068,231                                         |                                                 | 271,068,231               | 0.628%         |
| 3.4 Other equity securities:                                                                                                                      |                            |                |                                                     |                                                 | -                         |                |
| 3.41 Affiliated                                                                                                                                   | 966,103,762                | 2.237%         | 966,103,762                                         |                                                 | 966,103,762               | 2.237%         |
| 3.42 Unaffiliated                                                                                                                                 |                            | 0.000%         |                                                     |                                                 | -                         | 0.000%         |
| 3.5 Other equity interests including tangible personal property under lease:                                                                      |                            |                |                                                     |                                                 |                           |                |
| 3.51 Affiliated                                                                                                                                   | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.000%         |
| 3.52 Unaffiliated                                                                                                                                 | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.000%         |
| 4. Mortgage loans:                                                                                                                                |                            |                |                                                     |                                                 |                           |                |
| 4.1 Construction and land development                                                                                                             | 135,294,406                | 0.313%         | 135,294,406                                         |                                                 | 135,294,406               | 0.313%         |
| 4.2 Agricultural                                                                                                                                  | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.000%         |
| 4.3 Single family residential properties                                                                                                          | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.00%          |
| 4.4 Multifamily residential properties                                                                                                            | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.000%         |
| 4.5 Commercial loans                                                                                                                              | 3,189,867,143              | 7.386%         | 3,189,867,143                                       |                                                 | 3,189,867,143             | 7.387%         |
| 4.6 Mezzanine real estate loans                                                                                                                   | 62,771,143                 | 0.145%         | 62,771,143                                          |                                                 | 62,771,143                | 0.145%         |
| 5. Real Estate Investments:                                                                                                                       |                            |                |                                                     |                                                 |                           |                |
| 5.1 Property occupied by company                                                                                                                  | 11,507,580                 | 0.027%         | 11,507,580                                          |                                                 | 11,507,580                | 0.027%         |
| 5.2 Property held for production of income (includes \$0 of property acquired in satisfaction of debt)                                            | 414,992,625                | 0.961%         | 414,992,625                                         |                                                 | 414,992,625               | 0.961%         |
| 5.3 Property held for sale (\$0 including property acquired in the satisfaction of debt)                                                          | 3,068,924                  | 0.007%         | 3,068,924                                           |                                                 | 3,068,924                 | 0.007%         |
| 6. Contract loans                                                                                                                                 | 3,337,425,918              | 7.728%         | 3,337,425,918                                       |                                                 | 3,337,425,918             | 7.729%         |
| 7. Derivatives                                                                                                                                    | 9,057,139                  | 0.021%         | 9,057,139                                           |                                                 | 9,057,139                 | 0.021%         |
| 8. Receivables for securities                                                                                                                     | 2,433,987                  | 0.006%         | 2,433,987                                           |                                                 | 2,433,987                 | 0.006%         |
| 9. Securities Lending (Line 10, Asset Page reinvested collateral)                                                                                 | -                          | 0.000%         | -                                                   |                                                 | -                         |                |
| 10. Cash and short-term investments                                                                                                               | 778,064,420                | 1.802%         | 778,064,420                                         |                                                 | 778,064,420               | 1.802%         |
| 11. Other invested assets                                                                                                                         | 1,902,989,267              | 4.406%         | 1,896,606,178                                       |                                                 | 1,896,606,178             | 4.392%         |
| <b>12. Total Invested Assets</b>                                                                                                                  | <b>\$ 43,186,148,929</b>   | <b>100.00%</b> | <b>\$ 43,179,765,840</b>                            |                                                 | <b>\$ 43,179,765,840</b>  | <b>100.00%</b> |

\* Gross Investment Holdings as valued in compliance with NAIC Accounting Practices & Procedures Manual F-74





## **Independent Auditor's Report**

To the Board of Directors of  
The Guardian Life Insurance Company of America:

We have audited the accompanying statutory financial statements of The Guardian Life Insurance Company of America which comprise the statutory statements balance sheets as of December 31, 2014 and 2013, and the related statutory basis statements of operations, changes in policyholders' surplus, and cash flows for the years then ended.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 to the financial statements, the financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 2 and accounting principles generally accepted in the United States of America are material.

### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2014 and 2013, or the results of its operations or its cash flows for the years then ended.



### ***Opinion on Statutory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and surplus of the Company as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services described in Note 2.

### ***Opinion on Supplemental Schedules***

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule I - Selected Financial Data, Investment Risk Interrogatories, and Summary Investment Schedule of the Company (collectively "the supplemental schedules") as of December 31, 2014 and for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The effects on the supplemental schedules of the variances between the statutory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. As a consequence, the supplemental schedules do not present fairly, in conformity with accounting principles generally accepted in the United States of America, such information of the Company as of December 31, 2014 and for the year then ended. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

March 3, 2015

# **The Guardian Life Insurance Company of America**

**Audited Statutory Basis  
Financial Statements and Supplemental Schedules  
December 31, 2014 and 2013**

# **The Guardian Life Insurance Company of America**

## **Audited Statutory Basis Financial Statements**

**December 31, 2014 and 2013**

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# The Guardian Life Insurance Company of America

## Statutory Basis Balance Sheets

(In Millions)

|                                                                         | As of December 31, |                  |
|-------------------------------------------------------------------------|--------------------|------------------|
|                                                                         | 2014               | 2013             |
| <b>Admitted Assets</b>                                                  |                    |                  |
| Bonds                                                                   | \$ 29,653          | \$ 27,380        |
| Common and preferred stocks                                             | 1,649              | 1,650            |
| Mortgage loans                                                          | 3,046              | 2,838            |
| Real estate                                                             | 149                | 145              |
| Policy loans                                                            | 3,231              | 3,104            |
| Other invested assets                                                   | 2,139              | 1,963            |
| Receivable for securities                                               | 1                  | -                |
| Cash, cash equivalents and short-term investments                       | 765                | 631              |
| <b>Total invested assets</b>                                            | <u>40,633</u>      | <u>37,711</u>    |
| Due and accrued investment income                                       | 367                | 346              |
| Premiums deferred and uncollected                                       | 969                | 924              |
| Current federal and foreign income tax recoverable and interest thereon | 55                 | 4                |
| Net deferred tax asset                                                  | 711                | 705              |
| Reinsurance recoverable from affiliate                                  | 2,356              | 2,196            |
| Other assets                                                            | 205                | 180              |
| <b>Total admitted assets</b>                                            | <u>\$ 45,296</u>   | <u>\$ 42,066</u> |
| <b>Liabilities</b>                                                      |                    |                  |
| Reserves for policy benefits                                            | \$ 34,856          | \$ 32,685        |
| Policyholder dividends payable and other contract liabilities           | 2,054              | 1,970            |
| Interest maintenance reserve                                            | 412                | 387              |
| Asset valuation reserve                                                 | 754                | 686              |
| Other liabilities                                                       | 1,528              | 1,326            |
| <b>Total liabilities</b>                                                | <u>39,604</u>      | <u>37,054</u>    |
| Policyholders' surplus                                                  | 4,847              | 4,616            |
| Surplus notes                                                           | 845                | 396              |
| <b>Total liabilities and policyholders' surplus</b>                     | <u>\$ 45,296</u>   | <u>\$ 42,066</u> |

See notes to statutory basis financial statements.

# The Guardian Life Insurance Company of America

## Statutory Basis Statements of Operations

(In Millions)

|                                                              | For the Years Ended December 31, |               |
|--------------------------------------------------------------|----------------------------------|---------------|
|                                                              | 2014                             | 2013          |
| <b>Revenues</b>                                              |                                  |               |
| Premiums, annuity considerations and fund deposits           | \$ 6,999                         | \$ 8,734      |
| Net investment income                                        | 2,146                            | 1,765         |
| Other income                                                 | 397                              | 407           |
| <b>Total revenues</b>                                        | <u>9,542</u>                     | <u>10,906</u> |
| <b>Benefits and Expenses</b>                                 |                                  |               |
| Benefit payments to policyholders and beneficiaries          | 3,858                            | 3,659         |
| Net increase to policy benefit reserves                      | 2,172                            | 4,051         |
| Commissions and operating expenses                           | 1,997                            | 2,071         |
| <b>Total benefits and expenses</b>                           | <u>8,027</u>                     | <u>9,781</u>  |
| Gain from operations before policyholder dividends and taxes | 1,515                            | 1,125         |
| Policyholder dividends                                       | <u>(778)</u>                     | <u>(770)</u>  |
| Gain from operations before taxes and realized capital gains | 737                              | 355           |
| Income tax expense                                           | <u>(102)</u>                     | <u>(135)</u>  |
| Income from operations before net realized capital gains     | 635                              | 220           |
| Net realized capital gains                                   | 77                               | 66            |
| <b>Net income</b>                                            | <u>\$ 712</u>                    | <u>\$ 286</u> |

See notes to statutory basis financial statements.

# The Guardian Life Insurance Company of America

## Statutory Basis Statements of Change in Policyholders' Surplus

(In Millions)

|                                                           | For the Years Ended December 31, |          |
|-----------------------------------------------------------|----------------------------------|----------|
|                                                           | 2014                             | 2013     |
| <b>Beginning of year balance</b>                          | \$ 5,012                         | \$ 4,752 |
| <b>Adjustments to surplus:</b>                            |                                  |          |
| Net income                                                | 712                              | 286      |
| Change in net unrealized capital losses, net of tax       | (307)                            | (29)     |
| Change in reserve on account of change in valuation basis | -                                | (11)     |
| Change in asset valuation reserve                         | (69)                             | (78)     |
| Change in surplus note                                    | 449                              | -        |
| Change in net deferred taxes                              | 39                               | 35       |
| Change in non-admitted assets                             |                                  |          |
| Pension                                                   | 128                              | 397      |
| Other                                                     | (34)                             | 18       |
| Adoption of SSAP 92 and SSAP 102                          | -                                | (355)    |
| Change in pension funded status                           | (237)                            |          |
| Other changes, net                                        | (1)                              | (3)      |
| Net adjustments to unassigned surplus                     | 680                              | 260      |
| <b>End of year balance</b>                                | \$ 5,692                         | \$ 5,012 |

See notes to statutory basis financial statements.

# The Guardian Life Insurance Company of America

## Statutory Basis Statements of Cash Flows

(In Millions)

|                                                                             | For the Years Ended December 31, |                      |
|-----------------------------------------------------------------------------|----------------------------------|----------------------|
|                                                                             | 2014                             | 2013                 |
| <b>Cash flows from operating activities:</b>                                |                                  |                      |
| Premiums and other income received                                          | \$ 7,001                         | \$ 6,693             |
| Investment income                                                           | 2,183                            | 1,826                |
| Other income                                                                | 122                              | 110                  |
| Benefits and loss related payments                                          | (3,874)                          | (3,643)              |
| Commissions, expenses and taxes paid                                        | (2,095)                          | (2,065)              |
| Dividends paid                                                              | (775)                            | (794)                |
| Other, net                                                                  | (69)                             | 20                   |
| Net cash provided by operating activities                                   | <u>2,493</u>                     | <u>2,147</u>         |
| <b>Cash flows from investing activities:</b>                                |                                  |                      |
| Proceeds from investments sold or matured:                                  |                                  |                      |
| Bonds                                                                       | 10,908                           | 15,537               |
| Common and preferred stocks                                                 | 281                              | 1,053                |
| Mortgage loans                                                              | 484                              | 508                  |
| Real estate                                                                 | -                                | 30                   |
| Other investments                                                           | 289                              | 251                  |
| Proceeds from investments sold or matured                                   | <u>11,962</u>                    | <u>17,379</u>        |
| Cost of investments acquired:                                               |                                  |                      |
| Bonds                                                                       | 13,027                           | 17,732               |
| Common and preferred stocks                                                 | 588                              | 728                  |
| Mortgage loans                                                              | 695                              | 281                  |
| Real estate                                                                 | 9                                | 8                    |
| Other investments                                                           | 335                              | 337                  |
| Cost of investments acquired                                                | <u>14,654</u>                    | <u>19,086</u>        |
| Net increase in policy loans, net of repayments                             | 128                              | 104                  |
| Net cash used in investing activities                                       | <u>(2,820)</u>                   | <u>(1,811)</u>       |
| <b>Cash from financing:</b>                                                 |                                  |                      |
| Cash provided:                                                              |                                  |                      |
| Surplus note                                                                | 449                              | -                    |
| Net deposits on deposit-type contracts and other insurance liabilities      | 12                               | 5                    |
| Net cash used in financing and miscellaneous sources                        | <u>461</u>                       | <u>5</u>             |
| <b>Net increase in cash and short-term investments</b>                      | 134                              | 341                  |
| <b>Cash, cash equivalents and short-term investments, beginning of year</b> | <u>631</u>                       | <u>290</u>           |
| <b>Cash, cash equivalents and short-term investments, end of year</b>       | <u><u>\$ 765</u></u>             | <u><u>\$ 631</u></u> |

See notes to statutory basis financial statements.



# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 1 – ORGANIZATION

The Guardian Life Insurance Company of America (“Guardian” or the “Company”) provides financial services to customers throughout the United States. The Company provides a full range of insurance, investment, securities brokerage and other financial products and services including individual life and disability insurance, group life and health insurance, annuities, mutual funds, pension and retirement related investments and administration, asset management and securities brokerage.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation:**

The accompanying statutory basis financial statements have been prepared on the basis of accounting practices prescribed or permitted by the New York State Department of Financial Services (the “Department”), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (“GAAP”). Insurance companies domiciled in New York are required to prepare statutory basis financial statements in accordance with the National Association of Insurance Commissioners’ (“NAIC”) Accounting Practices and Procedures manual (“NAIC SAP”), subject to certain deviations prescribed or permitted by the Department.

The Department recognizes only statutory accounting practices prescribed or permitted by the state of New York for determining and reporting the financial condition and results of operations of an insurance company (“New York SAP”). The NAIC promulgates the NAIC SAP, which include accounting guidelines referred to as Statements of Statutory Accounting Principles (“SSAPs”). The Department adopted NAIC SAP with certain modifications, through the passage of Regulation 172, effective January 1, 2001, as amended.

A reconciliation of the Company’s net income and surplus at December 31, 2014 and 2013 between NAIC SAP and practices prescribed by the State of New York is shown below:

|                                                     | <u>2014</u>   | <u>2013</u>   |
|-----------------------------------------------------|---------------|---------------|
| Statutory Net Income, New York basis                | \$ 712        | \$ 286        |
| State Prescribed Practices:                         |               |               |
| Deferred premiums asset impact (1)                  | 6             | 4             |
| Admission of unearned reinsurance premium asset (2) | <u>(9)</u>    | <u>(3)</u>    |
| Statutory Net Income, NAIC SAP basis                | \$ <u>709</u> | \$ <u>287</u> |

|                                                     | <u>2014</u>     | <u>2013</u>     |
|-----------------------------------------------------|-----------------|-----------------|
| Statutory Surplus, New York basis                   | \$ 5,692        | \$ 5,012        |
| State Prescribed Practices:                         |                 |                 |
| Deferred premiums asset impact (1)                  | 108             | 98              |
| Admission of unearned reinsurance premium asset (2) | <u>(42)</u>     | <u>(32)</u>     |
| Statutory Surplus, NAIC SAP basis                   | \$ <u>5,758</u> | \$ <u>5,078</u> |

1) Department Circular Letter No. 11

2) Department Regulation 172

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial statements prepared on a New York SAP basis vary from financial statements prepared in accordance with GAAP primarily because on a statutory basis: 1) costs related to acquiring business, principally commissions and certain policy issue expenses, are charged to income in the year incurred; 2) life insurance and annuity reserves are based on statutory mortality and interest requirements, without consideration of withdrawals and company experience; 3) life insurance enterprises are required to establish a formula-based asset valuation reserve (“AVR”) by a direct charge to surplus to offset potential investment losses; 4) realized gains and losses resulting from changes in interest rates on fixed income investments are deferred in the interest maintenance reserve (“IMR”) and amortized into investment income over the remaining life of the investment sold; 5) bonds are carried principally at amortized cost; 6) certain reinsurance transactions are accounted for as reinsurance for statutory purposes and as financing transactions under GAAP, and assets and liabilities are reported net of reinsurance for statutory purposes and gross of reinsurance for GAAP; 7) certain “non-admitted assets” (furniture and office equipment, leasehold improvements, capitalized internally developed non-operating system software, and prepaid pension costs) must be excluded under statutory reporting through a charge to surplus; 8) investments in common stock of the Company’s wholly-owned and majority owned subsidiaries are accounted for using the equity method, where earnings of such subsidiaries are recognized in surplus; only when dividends are distributed is income recognized; 9) gross deferred tax assets and changes in deferred tax assets (“DTAs”) and liabilities (“DTL’s”), except those relating to changes in unrealized gains and losses, are recognized as a separate component of surplus. Deferred tax assets not meeting certain criteria are non-admitted; 10) investments in real estate joint ventures, where the Company has a controlling financial interest, are accounted for using the equity method for statutory purposes and consolidated under GAAP; and 11) if in the aggregate, the Company has a net negative cash balance, it is reported as a negative asset for statutory purposes and recorded as a liability under GAAP. The effect on the financial statements of the Company from the differences between New York SAP and GAAP are material and disclosed in Note 19.

#### Use of Estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As a provider of life insurance products, the Company’s operating results in any given period depend on estimates of policy reserves required to provide for future policyholder benefits. The development of policy reserves for insurance and investment contracts requires management to make estimates and assumptions regarding mortality, lapse, expense and investment experience. Such estimates are primarily based on historical experience and, in many cases, state insurance laws that require specific mortality, morbidity, and investment assumptions to be used by the Company and may preclude the use of lapse and expense assumptions. Actual future results could differ from these estimates. Management monitors actual experience, and where circumstances warrant, revises its assumptions and the related reserve estimates. The Company regularly invests in mortgage loans, mortgage-backed securities and other securities subject to prepayment and/or call risk. Significant changes in prevailing interest rates and/or geographic conditions may adversely affect the timing and amount of cash flows on such investments, as well as their related values. In addition, the amortization of market premium and accretion of market discount for mortgage-backed securities is based on historical experience and estimates of future payment experience underlying mortgage loans. Actual prepayment timing could differ from original estimates resulting in adjustments to asset values and amortization or accretion recorded in future periods.

#### Admitted Assets:

Assets are stated at “admitted asset” values, which are values required by or permitted to be reported to the Department in accordance with its rules and regulations. Certain assets designated as “non-admitted assets” (approximately \$360 million and \$454 million at December 31, 2014 and December 31, 2013, respectively), consisting principally of deferred tax assets, leasehold improvements, electronic data processing equipment and computer software, and prepaid pension costs are charged directly to unassigned surplus.

#### Investments:

See Note 3 and Note 4 regarding the accounting policy, reported statement value and estimated fair value of the Company’s investment in bonds, common and preferred stocks, mortgage loans, real estate and derivatives.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Cash, Cash Equivalents and Short-Term Investments:**

Cash includes amounts on deposit with banks. Cash equivalents are stated at amortized cost and consist of investments having maturities of three months or less at time of purchase. Certain short-term investments, including Money Market Funds, are stated at amortized cost and consist primarily of investments having maturities greater than three months from date of purchase, but less than one year to maturity. Fair values for such investments approximate carrying value.

#### **Policy Loans:**

Policy loans are stated at unpaid principal balance. The carrying amount approximates fair value since loans on policies have no defined maturity date and reduce the amount payable at death or at surrender of the contract.

#### **Other Invested Assets:**

Other invested assets consist primarily of joint ventures, limited liability companies and other forms of partnerships. These investments are valued at the Company's share of equity in the partnerships' or joint ventures' net assets. All distributions are recorded as income or return of capital based on information received from the partnerships. The change in equity is recorded as unrealized gains (losses) on the Company's books and is charged directly to surplus.

#### **Other Assets:**

Other assets consist primarily of receivables from subsidiaries (see Note 11), receivables related to reinsurance ceded (see Note 9), amounts receivable relating to Administrative Services Only ("ASO") uninsured plans, guaranty funds receivable, and electronic data processing equipment.

#### **Investment Reserves:**

In compliance with statutory requirements, the Company maintains the AVR and the IMR. The AVR is intended to stabilize policyholders' surplus against market fluctuations in the value of equities and credit related declines in the value of bonds, mortgage loans and real estate investments. Changes in the AVR are recorded directly to surplus. The IMR defers net after-tax realized capital gains (losses) which result from changes in the overall level of interest rates for fixed income investments and amortizes these net capital gains (losses) into income over the remaining stated life of the investments sold. The Company uses the group method of calculating the IMR.

#### **Insurance Revenue and Expense Recognition:**

Life premiums are recognized as income over the premium-paying period of the related policies. Annuity considerations are recognized as revenue when received. Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts or policies. Expenses incurred in connection with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred. Benefit payments to policyholders and beneficiaries include death benefits, disability benefits, matured endowments and surrender benefits.

#### **Reserves for Policy Benefits:**

See Note 5 regarding the methods and assumptions used to establish the Company's reserves for future insurance policy benefits.

#### **Other Liabilities:**

Other liabilities consist primarily of general expenses due or accrued, liabilities for employees and agents, commissions payable, unearned investment income, amounts withheld or retained by the company as agent or trustee, miscellaneous reinsurance liabilities, assessments, and tax reserves liabilities.

#### **Federal Income Taxes:**

The provision for federal income taxes is based on income from operations currently taxable. Realized gains and losses are reported net of the applicable federal income taxes. Deferred federal income tax assets are admitted to the extent they can be realized within three years subject to a 15% limitation of capital and surplus with increases or decreases reflected as adjustments to surplus (See Note 8).

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Dividends to Policyholders:**

The liability for dividends to policyholders principally consists of dividends expected-to-be paid during the subsequent year and are determined by means of formulas that reflect the relative contribution of each group of policies to the results of operations. Policyholder dividends are approved annually by the Board of Directors, and a portion of the policyholder dividends approved annually are guaranteed by the Board of Directors.

#### **Benefit Plans:**

The Company has non-contributory defined benefit pension plans covering substantially all employees and agents. The benefits are based primarily on years of service and compensation. Assets of the pension plans are invested in a diversified portfolio that primarily consists of corporate bonds and common stocks. All assets are managed by the Company or its affiliates.

#### **Reinsurance:**

The Company enters into reinsurance agreements in the normal course of its insurance business to reduce overall risk (see Note 9 for reinsurance ceded and Note 10 for reinsurance assumed). The Company remains liable for reinsurance ceded if the reinsurer fails to meet its obligation on the business it has assumed. The Company evaluates the financial condition of its reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

#### **Net Investment Income and Capital Gains:**

Net investment income includes interest and dividends received or accrued on investments. It also includes amortization of any purchase premium or discount using the interest method, adjusted retrospectively or prospectively for any change in estimated yield to maturity. Investment income due and accrued that is deemed uncollectible is charged against net investment income in the period such determination is made. Net investment income is reduced by investment management expenses, interest expense on the Company's outstanding surplus note and real estate depreciation.

Realized investment gains and losses are reported in income based upon specific identification of securities sold. Realized losses include valuation adjustments for other-than-temporary declines in investments. Unrealized investment gains and losses on financial instruments carried at fair value represent changes in the reported fair value and are recorded directly to surplus.

#### **Assessments:**

Under state insurance guaranty fund laws, insurers doing business in a state can be assessed, up to prescribed limits, for certain obligations of insolvent insurance companies to policyholders and claimants. Amounts assessed to each company are typically related to its proportion of business written in each state. The Company's policy is to accrue assessments when the entity for which the insolvency relates has met its state of domicile's statutory definition of insolvency, the amount of the loss is reasonably estimable and the related premium upon which the assessment is based is written. In most states, the definition is met with a declaration of financial insolvency by a court of competent jurisdiction. In certain states there must also be a final order of liquidation. As of December 31, 2014 and December 31, 2013, the liability balance included in Other liabilities was \$5 million and \$9 million, respectively for assessments. Some states permit member insurers to recover assessments through full or partial premium tax offsets. The related premium tax offsets included in Other assets were \$16 million and \$16 million as of December 31, 2014 and December 31, 2013, respectively.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 3 – INVESTMENTS

#### **Bonds, Common Stocks and Preferred Stocks:**

Investments are valued in accordance with methods prescribed by the Securities Valuation Office of the NAIC (“SVO”). The Company obtains the fair value of financial instruments held in its portfolio that are either carried at fair value on the face of the financial statements or disclosed in the notes to the financial statements at fair value, from a number of sources. These sources include published market quotes for active market exchange traded instruments, third party pricing vendors, investment banks which are lead market makers in certain markets, broker quotes and the use of internal valuation models that use market observable inputs when available and Company derived inputs when external inputs are not available or deemed to be inaccurate. Unrealized gains and losses on investments carried at fair value are recorded directly in unassigned surplus. The investment portfolio is reviewed for investments that may have experienced a decline in value considered to be other-than-temporary. The Company considers several factors in determining whether other-than-temporary declines exist: duration and extent to which the fair value of the security has been less than cost; financial condition of the issuer; the near term prospects for recovery of the fair value of a security; discounted estimated future cash flows; and the intent and ability of the Company to hold the security to allow for an anticipated recovery in value. Impairments that are considered other-than-temporary are included in net realized capital gains. Valuation methods for the various types of investments held are as follows:

*Bonds* - Bonds are stated principally at amortized cost with bond premiums and discounts amortized using the scientific interest method. Those bonds which are rated 6 by the NAIC are reported at the lower of amortized cost or fair value. Mortgage-backed bonds are carried at amortized cost using the interest method considering anticipated prepayments at the date of purchase. Significant changes in future anticipated cash flows from the original purchase assumptions are accounted for using the retrospective and prospective adjustment method utilizing the Public Securities Association standard prepayment rates.

Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from issuers or broker-dealers through information services or internal estimates and are consistent with current interest rates and the economic environment.

The Company changes from the retrospective method to the prospective method when an other than temporary impairment has been recorded on a structured loan-backed security.

*Preferred stocks* - Preferred stocks are carried at fair value if impaired during the reporting period or carried at the lower of cost or fair value based on the rating assigned by the SVO.

*Common stocks* - Common stocks of unaffiliated companies are stated at fair value, which is based on quoted market price. For common stocks without quoted market prices, fair value is estimated using independent pricing services or internally developed pricing models. Investments in subsidiaries are included in common stocks and are valued at equity in the underlying net assets. Undistributed earnings or losses of subsidiaries and unrealized appreciation or depreciation on common stocks are reflected as unrealized capital gains and losses directly in surplus.

*Foreign Currency Translation* - All of the Company’s insurance operations are conducted in the United States of America on a U.S. dollar-denominated basis. The Company does make bond, equity and other investments that are denominated in foreign currencies or issued by entities doing business in other countries. Investments denominated in a foreign currency are translated to U.S. dollars at each reporting date using then-current market foreign exchange rates. Translation gains or losses relating to fluctuations in market exchange rates are reported as a change in unrealized capital gains and losses until the related investment security is sold or matures, at which time a realized capital gain or loss is reported. Transactions denominated in a foreign currency, such as receipt of foreign-denominated interest or dividends, are translated to U.S. dollars based on the actual exchange rate at the time of the transaction.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

The amortized cost basis and estimated fair value of bonds and the cost basis and estimated fair value of preferred stock and common stocks at December 31, 2014 and December 31, 2013 is as follows:

|                                     | Amortized Cost/<br>Cost | Gross Unrealized |                 | Estimated<br>Fair<br>Value |
|-------------------------------------|-------------------------|------------------|-----------------|----------------------------|
|                                     |                         | Gains            | (Losses)        |                            |
| <b>December 31, 2014</b>            |                         | (In millions)    |                 |                            |
| U.S. Government                     | \$ 1,315                | 49               | -               | \$ 1,364                   |
| All other Government                | 526                     | 33               | (4)             | 555                        |
| States, Territories and Possessions | 424                     | 69               | -               | 493                        |
| Political Subdivisions              | 277                     | 37               | -               | 314                        |
| Special revenue                     | 2,028                   | 294              | (30)            | 2,292                      |
| Industrial and Miscellaneous        | 24,976                  | 2,246            | (179)           | 27,043                     |
| Hybrid                              | 107                     | 11               | -               | 118                        |
| Total Bonds                         | <u>\$ 29,653</u>        | <u>\$ 2,739</u>  | <u>\$ (213)</u> | <u>\$ 32,179</u>           |
| Common stocks - unaffiliated        | \$ 521                  | 39               | (36)            | \$ 524                     |
| Investment in subsidiaries          | 975                     | 210              | (179)           | 1,006                      |
| Total Common Stocks                 | <u>1,496</u>            | <u>\$ 249</u>    | <u>\$ (215)</u> | <u>1,530</u>               |
| Preferred Stocks - Perpetual        | \$ 119                  | 15               | (5)             | 129                        |
| Total Preferred Stocks              | <u>119</u>              | <u>\$ 15</u>     | <u>\$ (5)</u>   | <u>129</u>                 |
| Total Common and Preferred Stocks   | <u>\$ 1,615</u>         | <u>\$ 264</u>    | <u>\$ (220)</u> | <u>\$ 1,659</u>            |

|                                     | Amortized Cost/<br>Cost | Gross Unrealized |                 | Estimated<br>Fair<br>Value |
|-------------------------------------|-------------------------|------------------|-----------------|----------------------------|
|                                     |                         | Gains            | (Losses)        |                            |
| <b>December 31, 2013</b>            |                         | (In millions)    |                 |                            |
| U.S. Government                     | \$ 1,426                | \$ 4             | \$ (52)         | \$ 1,378                   |
| All other Government                | 381                     | 12               | (10)            | 383                        |
| States, Territories and Possessions | 370                     | 27               | (3)             | 394                        |
| Political Subdivisions              | 341                     | 16               | (3)             | 354                        |
| Special revenue                     | 2,253                   | 104              | (29)            | 2,328                      |
| Industrial and Miscellaneous        | 22,490                  | 1,550            | (282)           | 23,758                     |
| Hybrid                              | 119                     | 7                | (1)             | 125                        |
| Total Bonds                         | <u>\$ 27,380</u>        | <u>\$ 1,720</u>  | <u>\$ (380)</u> | <u>\$ 28,720</u>           |
| Common stocks - unaffiliated        | \$ 560                  | \$ 30            | \$ (31)         | \$ 559                     |
| Investment in subsidiaries          | 960                     | 304              | (248)           | 1,016                      |
| Total Common Stocks                 | <u>1,520</u>            | <u>334</u>       | <u>(279)</u>    | <u>1,575</u>               |
| Preferred Stocks - Perpetual        | \$ 75                   | \$ 3             | \$ (1)          | 77                         |
| Total Preferred Stocks              | <u>75</u>               | <u>\$ 3</u>      | <u>\$ (1)</u>   | <u>77</u>                  |
| Total Common and Preferred Stocks   | <u>\$ 1,595</u>         | <u>\$ 337</u>    | <u>\$ (280)</u> | <u>\$ 1,652</u>            |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

The Company invests in high quality securities that are diversified by asset class, issuer and industry. At December 31, 2014 approximately 4.4% of the portfolio is invested in securities issued or backed by the United States Government or its agencies, followed by mutual fund investments (made up primarily of RS Management Co. LLC ("RS") funds which is an affiliate of Guardian) of approximately 0.01%. No other single issuer accounts for more than 1.1% of the portfolio at December 31, 2014.

The amortized cost and estimated fair value of debt securities at December 31, 2014 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations.

|                                                                               | <b>2014</b>               |                                     |
|-------------------------------------------------------------------------------|---------------------------|-------------------------------------|
|                                                                               | <b>Amortized<br/>Cost</b> | <b>Estimated<br/>Fair<br/>Value</b> |
|                                                                               | (In millions)             |                                     |
| Due in one year or less                                                       | \$ 471                    | \$ 498                              |
| Due after one year through five years                                         | 3,898                     | 4,226                               |
| Due after five years through ten years                                        | 10,359                    | 10,765                              |
| Due after ten years                                                           | 11,082                    | 12,494                              |
| Sinking fund bonds, mortgage backed<br>securities and asset backed securities | 3,843                     | 4,196                               |
| Total                                                                         | <u>\$ 29,653</u>          | <u>\$ 32,179</u>                    |

The net change in unrealized holding losses included in surplus for year ended December 31, 2014 and 2013 is summarized as follows:

|                                                              | <b>2014</b>     | <b>2013</b>    |
|--------------------------------------------------------------|-----------------|----------------|
|                                                              | (In millions)   |                |
| Changes in net unrealized capital losses<br>attributable to: |                 |                |
| Bonds (NAIC 6 rated)                                         | \$ (2)          | \$ 1           |
| Preferred Stocks (NAIC 4, 5 and 6 rated)                     | (5)             | 1              |
| Common stocks unaffiliated                                   | 4               | (7)            |
| Common stocks affiliated                                     | (275)           | (33)           |
| Foreign currency translation                                 | (69)            | (19)           |
| Other (mainly private equities)                              | 54              | 24             |
| Total change in net unrealized capital losses gains          | (293)           | (34)           |
| Tax expense                                                  | (14)            | 5              |
| Total change in net unrealized losses, net of tax            | <u>\$ (307)</u> | <u>\$ (29)</u> |

Proceeds from sales of investments in bonds amounted to \$9,708 million and \$14,286 million for the years ended December 31, 2014 and 2013, respectively. Gross gains of \$375 million and \$334 million and gross losses of \$123 million and \$215 million were realized on sales of bonds for the years ended December 31, 2014 and 2013, respectively. These amounts are pre-tax and pre-IMR.

Proceeds from sales of investments in common stock amounted to \$215 million and \$990 million for the years ended December 31, 2014 and 2013, respectively. Gross gains of \$12 million and \$107 million and gross losses of \$24 million and \$34 million were realized on sales of common stock for the years ended December 31, 2014 and 2013, respectively. These amounts are pre-tax.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

Proceeds from sales of investments in preferred stock amounted to \$39 million and \$72 million for the years ended December 31, 2014 and 2013, respectively. Gross gains of \$0.2 million and \$4 million and gross losses of \$1 million and \$3 million were realized on sales of preferred stocks in December 31, 2014 and 2013, respectively. These amounts are pre-tax and pre-IMR.

During 2014, the Company restructured one private placement bond. The book value at the time of restructured was \$25 million and a \$1.8 impairment was taken at the time of restructure. This private placement bond was subsequently sold during 2014 and generated a realized loss of \$8 million. During 2013, the Company restructured one mortgage loan. The total recorded investment in restructured loans is \$23 million and realized capital losses of \$5 million related to the mortgages for the year ended December 31, 2013.

#### Unrealized Losses:

The Company's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2014 and December 31, 2013 are shown below:

| <u>December 31, 2014</u><br>(In millions) | <u>Less than 12 Months</u> |                      | <u>12 Months or More</u> |                      | <u>Total</u>  |                      |
|-------------------------------------------|----------------------------|----------------------|--------------------------|----------------------|---------------|----------------------|
|                                           | Fair<br>Value              | Unrealized<br>Losses | Fair<br>Value            | Unrealized<br>Losses | Fair<br>Value | Unrealized<br>Losses |
| U.S. Government                           | \$ 126                     | \$ -                 | \$ 5                     | \$ -                 | \$ 131        | \$ -                 |
| All other Government                      | 43                         | (3)                  | 6                        | (1)                  | 49            | (4)                  |
| States, Territories and Possessions       | 6                          | -                    | 6                        | -                    | 12            | -                    |
| Political Subdivisions                    | 12                         | -                    | -                        | -                    | 12            | -                    |
| Special Revenue                           | 35                         | (18)                 | 171                      | (12)                 | 206           | (30)                 |
| Industrial and Miscellaneous              | 3,242                      | (146)                | 915                      | (33)                 | 4,157         | (179)                |
| Hybrid                                    | 4                          | -                    | -                        | -                    | 4             | -                    |
| Total Bonds                               | \$ 3,468                   | \$ (167)             | \$ 1,103                 | \$ (46)              | \$ 4,571      | \$ (213)             |
| Preferred stocks                          | -                          | -                    | 16                       | (5)                  | 16            | (5)                  |
| Common stocks - unaffiliated              | 30                         | (5)                  | 166                      | (31)                 | 196           | (36)                 |
| Total temporarily<br>impaired securities  | \$ 3,498                   | \$ (172)             | \$ 1,285                 | \$ (82)              | \$ 4,783      | \$ (254)             |

Note: The unrealized losses in the above table include \$4.9 million for NAIC 6 Rated Preferred Stocks.



# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

| <b>December 31, 2013</b><br>(In millions) | <b>Less than 12 Months</b> |                   | <b>12 Months or More</b> |                   | <b>Total</b> |                   |
|-------------------------------------------|----------------------------|-------------------|--------------------------|-------------------|--------------|-------------------|
|                                           | Fair Value                 | Unrealized Losses | Fair Value               | Unrealized Losses | Fair Value   | Unrealized Losses |
| U.S. Government                           | \$ 1,349                   | \$ (52)           | \$ 6                     | \$ -              | \$ 1,355     | \$ (52)           |
| All other Government                      | 174                        | (10)              | 2                        | -                 | 176          | (10)              |
| States, Territories and Possessions       | 79                         | (2)               | 5                        | (1)               | 84           | (3)               |
| Political Subdivisions                    | 65                         | (2)               | 9                        | (1)               | 74           | (3)               |
| Special Revenue                           | 988                        | (27)              | 27                       | (2)               | 1,015        | (29)              |
| Industrial and Miscellaneous              | 5,942                      | (255)             | 280                      | (27)              | 6,222        | (282)             |
| Hybrid                                    | 19                         | -                 | 8                        | (1)               | 27           | (1)               |
| Total Bonds                               | \$ 8,616                   | \$ (348)          | \$ 337                   | \$ (32)           | \$ 8,953     | \$ (380)          |
| Preferred stocks                          | 10                         | -                 | 21                       | (1)               | 31           | (1)               |
| Common stocks - unaffiliated              | 44                         | (11)              | 80                       | (20)              | 124          | (31)              |
| Total temporarily impaired securities     | 8,670                      | (359)             | 438                      | (53)              | 9,108        | (412)             |

Note: The unrealized losses in the above table include \$0.2 million for NAIC 6 Rated Bonds and \$1.4 million unrealized gains for market value adjustment for Treasury Inflation Protected Securities (“TIPS”).

The Company’s investment portfolio includes individual securities that are in an unrealized loss position and have not been recognized as other-than-temporary impairments. There were three hundred and sixty securities in an unrealized loss position for greater than 12 months with a book value of \$1,367 million and a fair value of \$1,285 million as of December 31, 2014. There were seventy-seven securities in an unrealized loss position for greater than 12 months with a book value of \$491 million and a fair value of \$438 million as of December 31, 2013.

In reaching the conclusion that these impairments are not other-than-temporary, management considered many factors including: duration and severity of impairment, discounted cash flow analysis, investment sector stability, creditworthiness, financial condition of issuer, and intent and ability to hold to allow for recovery in value.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 3 – INVESTMENTS (CONTINUED)

#### **Mortgage Loans:**

Mortgage loans are valued at amortized cost. Valuation reserves are established for potential declines in the value of the mortgage loans. As of December 31, 2014 and December 31, 2013 there were no valuation reserves established for any of the Company's mortgage loans. Other-than-temporary impairments on loans are charged to net realized capital losses and are not adjusted for subsequent recoveries in value. Other-than-temporary impairments on mortgage loans were \$0 million and \$5 million for the years ended December 31, 2014 and 2013, respectively.

The Company's investments in mortgage loans on real estate consist principally of loans on commercial and cooperative residential real estate properties. The largest concentrations of commercial real estate mortgage loans are for properties located in California and Virginia (\$918 million or 30.14% and \$237 million or 7.78%) at December 31, 2014. The largest concentrations of commercial real estate mortgage loans are for properties located in California and New York (\$738 million or 26.00% and \$239 million or 8.42%) at December 31, 2013. The Company estimates the fair value of mortgage loans on real estate to be \$3,268 million and \$3,051 million at December 31, 2014 and December 31, 2013, respectively. Fair value was determined based upon the present value of the scheduled future cash flows of each loan based on the average term to maturity discounted at the appropriate U.S. Treasury rate, adjusted for the current market spread for a similar quality mortgage. The minimum and maximum range of lending rates on new mortgage loans were between 3.80% and 4.67% originated during 2014. The maximum percentage of any single mortgage loan to the value of the security originated in 2014 was 60.67% at origination date.

Interest received on impaired loans that were previously modified in a troubled debt restructuring is either applied against the principal or reported as revenue according to management's judgment as to the collectability of principal. There were no mortgages with interest more than 180 days past due at December 31, 2014 or December 31, 2013, respectively.

Management monitors its mortgage loan portfolio on an ongoing basis for events or circumstances that could indicate that it will not receive all of its contractually due principal and interest payments in accordance with the loan agreements. In May and November of each year, the entire portfolio is screened based on debt service coverage, loan to value ratio, delinquency over 90 days and if there are indications that balloon payments due at maturity will not be made to determine if any other than temporary impairments might need to be recorded.

During 2014, there were no mortgage loans impaired. During 2013, there was one mortgage loan impaired for \$5 million in the aggregate that had a carrying value of \$23 million as of December 31, 2013. There are no contractual commitments related to this restructured mortgage loan in 2014 and 2013.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

The following table set forth the credit quality indicators as of December 31, 2014 and December 31, 2013, based upon the recorded investment gross of allowance for credit losses.

#### Mortgage Loans

|                            | Debt Service Coverage Ratio - December 31, 2014 |               |               |               |               |                   |                 |
|----------------------------|-------------------------------------------------|---------------|---------------|---------------|---------------|-------------------|-----------------|
|                            | Greater than<br>2.0X                            | 1.8X to 2.0X  | 1.5X to <1.8X | 1.2X to <1.5X | 1.0X to <1.2X | Less than<br>1.0X | Grand Total     |
| <b>Loan-to-Value Ratio</b> |                                                 |               |               |               |               |                   |                 |
| 0% - 49.99%                | \$ 478                                          | \$ 160        | \$ 88         | \$ 107        | \$ 21         | \$ 5              | \$ 859          |
| 50% - 59.99%               | 268                                             | 119           | 296           | 151           | 43            | -                 | 877             |
| 60% - 69.99%               | 160                                             | 2             | 82            | 284           | 36            | -                 | 564             |
| 70% - 79.99%               | 64                                              | -             | 54            | 323           | 60            | 10                | 511             |
| 80% - 89.99%               | -                                               | -             | 9             | -             | 172           | 19                | 200             |
| 90% - 100%                 | 18                                              | -             | -             | 2             | -             | 15                | 35              |
| Greater than 100%          | -                                               | -             | -             | -             | -             | -                 | -               |
| <b>Total Industrial</b>    | <b>\$ 988</b>                                   | <b>\$ 281</b> | <b>\$ 529</b> | <b>\$ 867</b> | <b>\$ 332</b> | <b>\$ 49</b>      | <b>\$ 3,046</b> |

#### Mortgage Loans

|                            | Debt Service Coverage Ratio - December 31, 2013 |               |               |               |               |                   |                 |
|----------------------------|-------------------------------------------------|---------------|---------------|---------------|---------------|-------------------|-----------------|
|                            | Greater than<br>2.0X                            | 1.8X to 2.0X  | 1.5X to <1.8X | 1.2X to <1.5X | 1.0X to <1.2X | Less than<br>1.0X | Grand Total     |
| <b>Loan-to-Value Ratio</b> |                                                 |               |               |               |               |                   |                 |
| 0% - 49.99%                | \$ 431                                          | \$ 56         | \$ 171        | \$ 94         | \$ 15         | \$ 1              | \$ 768          |
| 50% - 59.99%               | 240                                             | 106           | 205           | 144           | 29            | 1                 | 725             |
| 60% - 69.99%               | -                                               | 61            | 285           | 325           | 14            | 5                 | 690             |
| 70% - 79.99%               | 42                                              | -             | 32            | 241           | 61            | -                 | 376             |
| 80% - 89.99%               | 22                                              | -             | 13            | 19            | 126           | 10                | 190             |
| 90% - 100%                 | 18                                              | -             | -             | -             | 46            | 25                | 89              |
| Greater than 100%          | -                                               | -             | -             | -             | -             | -                 | -               |
| <b>Total Industrial</b>    | <b>\$ 753</b>                                   | <b>\$ 223</b> | <b>\$ 706</b> | <b>\$ 823</b> | <b>\$ 291</b> | <b>\$ 42</b>      | <b>\$ 2,838</b> |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 3 – INVESTMENTS (CONTINUED)

#### Real Estate:

Real estate investments are reported in the financial statements at cost, less any valuation adjustment, encumbrances and accumulated depreciation of buildings and other improvements using a straight line method over the estimated useful life of the improvements. An investment in real estate is considered impaired when the projected undiscounted net cash flow from the investment is less than depreciated cost. When the Company determines that an investment in real estate is impaired, a valuation adjustment is made to reduce the carrying value to estimated fair value, after encumbrances, based on appraisal of the property. The valuation adjustment is included in realized losses.

Real estate was comprised of the following at December 31, 2014 and December 31, 2013:

|                                    | <u>2014</u>   | <u>2013</u> |
|------------------------------------|---------------|-------------|
|                                    | (In millions) |             |
| Investment real estate             | \$ 130        | \$ 127      |
| Total investment properties        | 130           | 127         |
| Properties occupied by the Company | 19            | 18          |
| <br>Total real estate              | <br>\$ 149    | <br>\$ 145  |

The Company had accumulated depreciation totaling \$61 million and \$56 million at December 31, 2014 and December 31, 2013, respectively. The Company recorded depreciation expense of \$5 million for 2014 and \$5 million for 2013. There were two properties with carrying value of \$21 million, above their combined fair value of \$18 million at December 31, 2014. There were two properties with carrying value of \$16 million, above their combined fair value of \$12 million at December 31, 2013. There were no other-than-temporary impairments taken on real estate in 2014 or 2013. The fair values were determined by a third party and internal appraisals. As of December 31, 2014 and December 31, 2013 the Company had no properties held for sale.

#### Special Deposits:

Assets of \$9 million and \$4 million at December 31, 2014 and 2013, respectively were on deposit with governmental authorities or trustees as required by certain insurance laws and are included within invested assets in the accompany Statutory Basis Balance Sheets.

#### Investment in Subsidiaries:

Investment in affiliated limited liability subsidiaries are included in other invested assets while investment in all other subsidiaries are included in common stocks on the statutory basis balance sheets and totaled \$1,680 million and \$1,705 million at December 31, 2014 and December 31, 2013, respectively.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

The Company's major subsidiaries are as follows:

Guardian Insurance and Annuity Company ("GIAC") is a stock life insurance company organized primarily for the sale of equity-based products, including variable life, variable annuities and other lines of insurance. For variable products, contracts are sold by insurance agents who are licensed by Park Avenue Securities LLC ("PAS"), wholly-owned by GIAC, and are either registered representatives of PAS or of broker-dealer firms that have entered into sales agreements with GIAC and PAS.

Berkshire Life Insurance Company of America ("BLICOA") is a stock life company whose primary business is the sale and administration of disability insurance business.

Guardian Investor Services ("GIS") is a registered broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Company is also a registered investment advisor under the Investment Adviser Act of 1940. On August 31, 2006, GIS acquired a 65% interest in RS Investments Management Co. LLC ("RS"), a privately-held San Francisco investment management firm specializing in growth and value mutual funds and institutional accounts. As of December 31, 2014, GIS owns a 96.31% interest in RS.

Park Avenue Life Insurance Company ("PALIC") was purchased by the Company during 1996. PALIC's primary business is the administration of life insurance business (principally term and universal life products). Although PALIC is licensed in 48 states and the District of Columbia, it does not currently write new business.

First Commonwealth, Inc. ("FCW") is a provider of managed dental benefits in the upper Midwest, including the metropolitan areas of Chicago, Milwaukee, St. Louis and Detroit. FCW provides dental care coverage and/or arranges for dental care services to be provided to its subscribers primarily on a prepaid basis. FCW also provides indemnity/Preferred Provider Organization ("PPO") dental coverage, administrative claim services, and absence management services. In 2014, FCW became a provider of managed dental benefits in California, Utah and Nevada. On July 31, 2014, FCW acquired 100% interest in Premier Access Insurance Company and its affiliates at a purchase price of \$254 million in cash. The total net assets were \$270 million including goodwill and intangible assets of \$232 million.

Selected financial information for GIAC, BLICOA, GIS, PALIC and FCW the Company's significant subsidiaries, is highlighted below:

|                                 | <u>2014</u>   |           | <u>2013</u> |
|---------------------------------|---------------|-----------|-------------|
|                                 | (In millions) |           |             |
| <b>GIAC (Statutory basis)</b>   |               |           |             |
| Total assets                    | \$ 15,658     | \$ 14,533 |             |
| Total liabilities               | 15,431        | 14,352    |             |
| Net loss                        | \$ -          | \$ (83)   |             |
| <b>BLICOA (Statutory basis)</b> |               |           |             |
| Total assets                    | \$ 3,377      | \$ 3,453  |             |
| Total liabilities               | 3,108         | 2,870     |             |
| Net income                      | \$ 17         | \$ 60     |             |
| <b>GIS (GAAP basis)</b>         |               |           |             |
| Total assets                    | \$ 676        | \$ 724    |             |
| Total liabilities               | 84            | 124       |             |
| Net income                      | \$ 21         | \$ 4      |             |
| <b>PALIC (Statutory basis)</b>  |               |           |             |
| Total assets                    | \$ 305        | \$ 306    |             |
| Total liabilities               | 230           | 238       |             |
| Net income                      | \$ 2          | \$ 7      |             |
| <b>FCW (GAAP basis)</b>         |               |           |             |
| Total assets                    | \$ 529        | \$ 237    |             |
| Total liabilities               | 73            | 30        |             |
| Net income                      | \$ 10         | \$ 4      |             |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

#### NET INVESTMENT INCOME

Net investment income, including accrual of discounts and amortization of premiums, arose from the following sources for the years ended December 31, 2014 and December 31, 2013:

|                                 | <u>2014</u>       |               | <u>2013</u>     |
|---------------------------------|-------------------|---------------|-----------------|
|                                 |                   | (In millions) |                 |
| Bonds                           | \$ 1,406          | \$            | 1,309           |
| Preferred stocks                | 7                 |               | 7               |
| Unaffiliated common stocks      | 16                |               | 19              |
| Affiliated common stocks        | 308               |               | 3               |
| Mortgage loans                  | 165               |               | 191             |
| Real estate                     | 25                |               | 26              |
| Policy loans                    | 232               |               | 221             |
| Cash and short-term investments | 1                 |               | 2               |
| Other (mainly private equities) | 117               |               | 97              |
|                                 | <u>2,277</u>      |               | <u>1,875</u>    |
| Gross investment income         | 2,277             |               | 1,875           |
| Less investment expenses        | (131)             |               | (110)           |
|                                 | <u>(131)</u>      |               | <u>(110)</u>    |
| Net investment income           | \$ <u>2,146</u> * | \$            | \$ <u>1,765</u> |

\*See Note 11 – Related Party Transactions

#### NET REALIZED CAPITAL GAINS (LOSSES)

Net realized capital gains (losses) were derived from the following sources for the years ended December 31, 2014 and December 31, 2013:

|                                           | <u>2014</u>  |               | <u>2013</u>  |
|-------------------------------------------|--------------|---------------|--------------|
|                                           |              | (In millions) |              |
| Bonds                                     | \$ 268       | \$            | 75           |
| Preferred stocks                          | (1)          |               | 1            |
| Common stocks (unaffiliated & affiliated) | (13)         |               | 73           |
| Mortgage loans                            | (2)          |               | -            |
| Real estate                               | -            |               | 15           |
| Other invested assets                     | 62           |               | 28           |
| Derivatives and hedging losses            | (5)          |               | (7)          |
| Other realized gains/(losses)             | 4            |               | (4)          |
|                                           | <u>313</u>   |               | <u>181</u>   |
| Total net realized capital gains          | 313          |               | 181          |
| Capital gains tax expense                 | (99)         |               | (70)         |
| Transfer to IMR (net of tax)              | (137)        |               | (45)         |
| Net realized capital gains                | \$ <u>77</u> | \$            | \$ <u>66</u> |

Net realized capital gains include losses of \$2 million and \$18 million for the year ended December 31, 2014 and December 31, 2013, respectively, of impairments for declines in fair values considered other-than-temporary. The \$2 million of other-than-temporary impairments recorded as realized losses in 2014 are all attributable to bonds. There were no structured and loan-backed securities impaired to their discounted cash flow during 2014 or 2013.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 3 – INVESTMENTS (CONTINUED)

#### **Derivative Financial Instruments:**

The Company enters into derivative transactions in order to mitigate (“hedge”) certain risks pertaining to its assets, liabilities and surplus from fluctuations in interest rates, foreign currency exchange rates and market volatility. Derivatives are either exchange traded or contracted over-the-counter. The majority of the Company’s over-the-counter derivatives are bilateral contracts between the Company and a single counterparty. The Company’s remaining over-the-counter derivatives are cleared and settled through central clearing counterparties.

Derivatives that are designated as hedges for accounting purposes and meet the qualifications for hedge accounting are reported on a basis consistent with the asset or liability being hedged (i.e. at amortized cost). Derivatives that are used to mitigate risk but are not designated as hedges for accounting purposes or do not meet the qualifications for hedge accounting treatment are reported at fair value.

To qualify for hedge accounting the hedge relationship must be designated and formally documented at inception. This documentation details the risk management objective and strategy for the hedge, the derivative used in the hedge, the asset or liability being hedged, and the methodology for assessing hedge effectiveness. The hedge must also be “highly effective” with an assessment of its effectiveness performed both at inception and on an ongoing basis over the life of the hedge.

Derivative transactions expose the Company to the risk that the counterparty may not be able to fulfill its obligations under the terms set forth in the contract. The Company manages this counterparty risk by entering into transactions with counterparties that maintain a minimum credit rating, by performing ongoing review of a counterparties’ credit standing, by adhering to established limits for credit exposure to any single counterparty and is requiring collateral posting subject to thresholds and minimum transfer amounts in accordance with counterparty agreements to support credit risk associated with counterparty exposures which further reduces the company’s exposure to default by the counterparty. The Company is required to establish a margin account for all of its futures contracts. Any contract gains or losses due to the change in the value of futures are settled in cash on a daily basis. The Company does not offset the statement values for derivatives executed with the same counterparty, even if a master netting arrangement is in place. The Company also does not offset the right to claim collateral against the obligation to return such collateral.

The Company has no embedded credit derivatives that expose it to the possibility of being required to make future payments.

#### **Hedging – Designated As Hedging Instruments**

In 2014 the Company began to designate certain derivative transactions as accounting hedges. The Company designates and accounts for its foreign currency swaps as cash flow hedges and certain equity futures contracts related to the liability of its deferred compensation plan as fair value hedges.

*Foreign currency swaps* are used to mitigate the foreign exchange risk for investments for specifically identified private placement bonds denominated in foreign currencies over a period of up to 15 years. Foreign currency swaps obligated the Company and a counterparty to exchange the foreign currency denominated interest and principal payments receivable on foreign denominated bonds for U.S. dollar payments based on currency exchange rates specified at the inception of the transaction. Foreign exchange gains or losses on these contracts are reported as a change in unrealized gains or losses until the maturity or sale of the hedged foreign currency bond at which time a realized capital gain or loss is recognized.

*Equity index futures* are used to mitigate the change in value of the liability the Company has to participants in its deferred compensation plans that allocate their plan account balances to equity funds offered under the plan. Equity index futures obligate the Company to pay or to receive an amount based on a specified equity market index as of a future date applied to the notional amount of the contract. The change in the fair value of the futures contracts are recorded as income or expense which offsets the impact on gain from operation of the change in value of its deferred compensation liability. If the hedge is deemed to be ineffective for any period of time, the change in the fair value of the futures contracts for that time period is recorded in surplus as an unrealized gain or loss.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 3 – INVESTMENTS (CONTINUED)

#### **Hedging – Not Designated As Hedging Instruments**

The Company enters into other derivative transactions that mitigate economic risks but are not designated as a hedge for accounting purposes or do not qualify for hedge accounting treatment. These derivative instruments are reported at fair value in the balance sheet as either other invested assets or other liabilities. Changes in the fair value of these instruments are reported as a change in unrealized capital gains or losses until the maturity or termination of the contract, at which time a realized capital gain or loss is recorded.

*Treasury futures* are used to mitigate interest rate risk pertaining to guaranteed minimum benefit liability associated with one of the Company's products. Treasury futures obligate the Company to take or receive delivery of certain Treasury Bonds at a specified price at a future date.

*Foreign currency futures* are used to mitigate the foreign exchange risk of investments in foreign denominated bonds securities. Foreign currency futures are exchange traded and settled daily. Foreign currency futures obligate the Company to exchange a specified amount of foreign currency at a specified rate on a future date.

*Equity index futures* are used to mitigate market fluctuations of the Company's portfolio of unaffiliated common stock and other mark to market assets and to minimize the volatility associated with certain liabilities. Equity index futures obligate the Company to pay or receive from a counterparty a cash amount based on a specified equity market index at a predefined price as of a future date applied to the notional amount of the contracts.

All of the futures contracts that the Company has entered into are exchange traded. Margin payments are required for futures contract and contract gains or losses are settled daily in cash, therefore the futures contracts are carried at zero value on the Company's balance sheets. The contract amount of futures contracts represents the extent of the Company's involvement, but not future cash requirements, as open positions are typically closed out prior to the delivery date of the contract.

*Foreign currency forwards* are used to mitigate the foreign exchange risk for investments in foreign denominated bonds or foreign denominated equity investments. Foreign currency forwards obligate the Company and the counterparty to exchange U.S. dollars and another currency at a specified future date and at a specified price.



# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 3 – INVESTMENTS (CONTINUED)

The effects of the Company's use of derivative instruments on the Balance Sheets and Statements of Operations:

| December 31, 2014                 |               |                 |             |                    |                  |             |  |
|-----------------------------------|---------------|-----------------|-------------|--------------------|------------------|-------------|--|
|                                   | Notional      | Statement Value |             | Change in          | Net              | Net         |  |
|                                   | Amount        | Assets          | Liabilities | Unrealized Capital | Realized Capital | Investment  |  |
|                                   |               |                 |             | Gains (Losses)     | Gains (Losses)   | Income      |  |
|                                   |               |                 |             | (in millions)      |                  |             |  |
| <u>Derivatives designated as</u>  |               |                 |             |                    |                  |             |  |
| <u>hedging instruments:</u>       |               |                 |             |                    |                  |             |  |
| Foreign Currency Swaps            | \$ 45         | \$ 2            | \$ -        | \$ 2               | \$ -             | \$ -        |  |
| <u>Derivatives not designated</u> |               |                 |             |                    |                  |             |  |
| <u>as hedging instruments:</u>    |               |                 |             |                    |                  |             |  |
| Equity index futures              | -             | -               | -           | (5)                | (3)              | -           |  |
| Currency forwards                 | 459           | 10              | -           | 12                 | 1                | -           |  |
| Foreign Currency Swaps            | -             | -               | -           | 3                  | (3)              | -           |  |
| Total derivatives                 | <u>\$ 504</u> | <u>\$ 12</u>    | <u>\$ -</u> | <u>\$ 12</u>       | <u>\$ (5)</u>    | <u>\$ -</u> |  |
|                                   |               |                 |             |                    |                  |             |  |
| December 31, 2013                 |               |                 |             |                    |                  |             |  |
|                                   | Notional      | Statement Value |             | Change in          | Net              | Net         |  |
|                                   | Amount        | Assets          | Liabilities | Unrealized Capital | Realized Capital | Investment  |  |
|                                   |               |                 |             | Gains (Losses)     | Gains (Losses)   | Income      |  |
|                                   |               |                 |             | (in millions)      |                  |             |  |
| <u>Derivatives designated as</u>  |               |                 |             |                    |                  |             |  |
| <u>hedging instruments:</u>       |               |                 |             |                    |                  |             |  |
| <u>Derivatives not designated</u> |               |                 |             |                    |                  |             |  |
| <u>as hedging instruments:</u>    |               |                 |             |                    |                  |             |  |
| Foreign currency futures          | -             | -               | -           | (1)                | -                | -           |  |
| Equity index futures              | -             | -               | -           | 2                  | -                | -           |  |
| Foreign currency forwards         | 141           | -               | 2           | (1)                | (7)              | -           |  |
| Foreign Currency Swaps            | 9             | -               | 3           | 1                  | -                | -           |  |
| Total derivatives                 | <u>\$ 150</u> | <u>\$ -</u>     | <u>\$ 5</u> | <u>\$ 1</u>        | <u>\$ (7)</u>    | <u>\$ -</u> |  |

### Repurchase Agreements:

The Company periodically enters into repurchase agreements whereby securities will be resold at a specified date and price. There is one repurchase agreement as of December 31, 2014. Assets of \$5 million are included in the Statutory Basis Balance Sheets as Cash and cash equivalents as of December 31, 2014, are subject to repurchase. The Company's policy requires a minimum of 102% of the fair value of the borrowed securities as collateral calculated on a daily basis, in the form of either cash or securities. The collateral at December 31, 2014 consists of one US Treasury Note with a par value of \$5 million, a fair value (with accrued interest) of \$5 million, a coupon of 0.1% maturing on January 2, 2015. There were two repurchase agreements as of December 31, 2013. Assets of \$50 million are included in the Statutory Basis Balance Sheets as Cash and cash equivalents as of December 31, 2013, are subject to repurchase. . The Company's policy requires a minimum of 102% of the fair value of the borrowed securities as collateral calculated on a daily basis, in the form of either cash or securities. The collateral at December 31, 2013 consists of one Treasury Inflation Index security with a par value of \$13 million, a fair value (with accrued interest) of \$16 million, a coupon of 2.4% maturing on January 15, 2017 and one Treasury Inflation Index security with a par value of \$28 million, a fair value (with accrued interest) of \$35 million, a coupon of 1.6% maturing on January 16, 2018.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 3 – INVESTMENTS (CONTINUED)

#### **Reverse Repurchase Agreements:**

The Company periodically enters into reverse repurchase arrangements whereby certain securities are loaned, primarily with major brokerage firms. The Company's policy requires a minimum of 95% of the fair value of the loaned securities as collateral, calculated on a daily basis, in the form of either cash or securities. Collateral assets received and related liabilities due counterparties are included in the Statutory Basis Balance Sheets as "Other Liabilities". There were no open reverse repurchase agreements on December 31, 2014 or December 31, 2013.

#### **Securities Lending**

There were no securities on loan at December 31, 2014 or December 31, 2013.

### NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Statutory guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's view of market assumptions based on internally developed data in the absence of observable market information. The guidance requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs when determining the fair value of an asset or liability. The statement classifies all assets and liabilities carried or disclosed at fair value in one of the following three categories:

Level 1 – inputs are quoted market prices available in active markets for identical assets or liabilities on the reporting date. Assets included in this category include common stock unaffiliated and derivative instruments actively traded on an exchange, and any actively traded registered mutual funds held directly by the general account.

Level 2 – inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model derived valuations whose inputs are observable or whose significant value drivers are observable. These types of instruments include fixed maturity instruments, common stock unaffiliated that is not actively traded preferred stocks and private placement securities.

Level 3 – inputs are unobservable where there is little or no market activity for the asset or liability and the Company makes estimates and assumptions based on internally derived information. Instruments held in this category include foreign equity (common stock unaffiliated) and certain private placement securities.

The estimated fair values presented below have been determined using available information and valuation methodologies. The estimated fair value for financial instruments held by the Company was determined by management after considering the following sources of information: published market quotes for active exchange traded instruments, third party pricing vendors, quotes from investment banks that are lead market makers in certain markets, independent broker quotations, or the use of internal valuation models that use market observable inputs when available and Company derived inputs when external inputs are not available or deemed to be inaccurate. Considerable judgment is applied in interpreting data to develop the estimates of fair value. Accordingly, such amounts are management's estimate of the value that would be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies from period to period based on available information and market conditions could have a material effect on the estimated fair values.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

#### **Bonds, preferred and common stocks:**

Estimated fair values for bonds, other than private placement securities, preferred stock and common stock are valued based on quoted prices from active markets when available (Level 1).

When the Company cannot obtain a quoted market price directly it relies on values provided by a third party pricing vendor. This is the pricing source for the majority of the Company's marketable securities. Prices received from a third party vendor are generally considered to be Level 2. Consolidated mutual funds are valued based on the underlying holdings of the respective mutual funds.

Pricing vendors utilize pricing models developed for individual asset classes which incorporate available market data. These market inputs include benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data which include market research publications. The pricing vendor may obtain broker quotes for securities when sufficient information is not available to fully evaluate a security. For broker-quoted only securities, quotes from market makers or broker-dealers are obtained from sources recognized to be market participants.

Portfolio managers review the values assigned by the pricing vendor for reasonableness. In doing so, they compare the prices received from the pricing vendor to prices of similar securities, price ranges in that asset class or industry or prices from internally generated position reports. If there is a discrepancy with the price received from the vendor, the portfolio manager may communicate this difference to the pricing vendor and present the vendor with additional market data regarding that security in order to insure the pricing vendor has sufficient information needed to accurately price the security. The pricing vendor will then independently validate and evaluate that data and determine if a price change is warranted.

In the rare instance when a portfolio manager finds a difference in his or her assessment of fair value and the vendor price, after performing the preceding procedures, the portfolio manager may request replacement of the vendor price by a supportable value that is believed to be more representative of the security price. Any replacement of the vendor price is subject to an internal approval process.

The fair values of private placement bonds are determined by using an internal pricing model or for a small amount of securities, assigned individual prices. These assigned individual prices are usually obtained from an external broker ("hand priced") and are considered to be Level 3.

The significant inputs used for the internal pricing model consist of (i) broker supplied price matrices, (ii) treasury rates and (iii) credit ratings from either a nationally recognized securities rating organization ("NRSRO") such as Standard & Poor or Moody's ("external ratings") or a credit rating assigned internally by the Company's Private Placement Investment Management Group ("internal ratings").

Private placement bonds with an external credit rating, or composite external credit rating, of BB or above, for which the corresponding matrix price is used, are classified as Level 2. If the external credit rating or composite external credit rating is below a BB the private placement bond is classified as Level 3.

Bonds are carried at amortized cost unless they are rated 6 by the NAIC SVO in which case they are reported at the lower of amortized cost or fair value. There were no bonds rated 6 by the NAIC SVO and carried at fair value on December 31, 2014 and December 31, 2013 were \$0.0 million and \$0.2 million, respectively.

Preferred stock is carried at amortized cost if they have a NAIC SVO rating of 1, 2 or 3 and at lower or cost or fair value if the rating assigned is 4, 5 or 6. There were preferred stocks rated 4, 5, 6 by the NAIC SVO and carried at fair value on December 31, 2014 and December 31, 2013 were \$4.0 million and \$0.0 million, respectively.

Unaffiliated common stocks are reported at fair value.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

#### **Derivatives:**

Derivative instruments are valued through the use of quoted market prices for exchange-traded derivatives (Level 1), third party pricing model and a third party pricing service for over-the-counter (“OTC”) traded derivatives (Level 2) and by using internally developed estimates and assumptions when no quoted market price or third party vendor price is available (Level 3).

The third party pricing model used to determine fair value, when quoted market values are not available, is based on market standard valuation methodologies and inputs that are assumed to be consistent with what market participants would use when pricing the instruments. The significant inputs to the pricing models for most over-the-counter derivatives are inputs that are observable in the market or can be derived principally from or corroborated by observable market data. Significant observable inputs include: interest rates, foreign currency exchange rates, interest rate curves, credit curves and volatility

The methodology used by the third party pricing service for derivative investments is the same as that described above under the bonds, preferred and common stocks section.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following tables summarize the Company's financial instruments carried at fair value by their fair value hierarchy levels for the period ending December 31, 2014 and December 31, 2013:

|                            | December 31, 2014 |               |             | Total Fair Value | Carrying Amount |
|----------------------------|-------------------|---------------|-------------|------------------|-----------------|
|                            | Level 1           | Level 2       | Level 3     |                  |                 |
| <b>Assets</b>              | (In millions)     |               |             |                  |                 |
| NAIC 6 Bonds               | \$ -              | \$ -          | \$ -        | \$ -             | \$ -            |
| NAIC 4,5,6 Preferred Stock | -                 | 4             | -           | 4                | 4               |
| Common Stock               | 222               | 302           | -           | 524              | 524             |
| Derivative Instruments     | -                 | 10            | -           | 10               | 10              |
| Total Assets               | <u>\$ 222</u>     | <u>\$ 316</u> | <u>\$ -</u> | <u>\$ 538</u>    | <u>\$ 538</u>   |
| <b>Liabilities</b>         |                   |               |             |                  |                 |
| Derivative instruments     | \$ -              | \$ -          | \$ -        | \$ -             | \$ -            |
| Total Liabilities          | <u>\$ -</u>       | <u>\$ -</u>   | <u>\$ -</u> | <u>\$ -</u>      | <u>\$ -</u>     |

|                            | December 31, 2013 |               |             | Total Fair Value | Carrying Amount |
|----------------------------|-------------------|---------------|-------------|------------------|-----------------|
|                            | Level 1           | Level 2       | Level 3     |                  |                 |
| <b>Assets</b>              | (In millions)     |               |             |                  |                 |
| NAIC 6 Bonds               | \$ -              | \$ -          | \$ -        | \$ -             | \$ -            |
| NAIC 4,5,6 Preferred Stock | -                 | -             | -           | -                | -               |
| Common Stock               | 393               | 166           | -           | 559              | 559             |
| Derivative Instruments     | -                 | -             | -           | -                | -               |
| Total Assets               | <u>\$ 393</u>     | <u>\$ 166</u> | <u>\$ -</u> | <u>\$ 559</u>    | <u>\$ 559</u>   |
| <b>Liabilities</b>         |                   |               |             |                  |                 |
| Derivative instruments     | \$ -              | \$ 5          | \$ -        | \$ 5             | \$ 5            |
| Total Liabilities          | <u>\$ -</u>       | <u>\$ 5</u>   | <u>\$ -</u> | <u>\$ 5</u>      | <u>\$ 5</u>     |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table summarizes changes to the Company's financial instruments carried at fair value and classified as level 3 in the fair value hierarchy for the years ended December 31, 2014 and 2013:

There were no financial instruments carried at fair value and classified as Level 3 for the years ending December 31, 2014.

| Level 3 Roll Forward<br><br>(In Millions)         | As of December 31, 2013 |                   |       |
|---------------------------------------------------|-------------------------|-------------------|-------|
|                                                   | NAIC 6<br>Bonds         | Impaired<br>Bonds | Total |
| Fair Value , beginning of period                  | \$ 4                    | \$ -              | \$ 4  |
| Total gains or (losses) (realized or unrealized): |                         |                   | -     |
| Included in net income                            | -                       | -                 | -     |
| Included in surplus                               | -                       | -                 | -     |
| Purchases, sales, issuances, and settlements:     |                         |                   | -     |
| Purchases                                         | -                       | -                 | -     |
| Sales                                             | (4)                     | -                 | (4)   |
| Issuances                                         | -                       | -                 | -     |
| Settlements                                       | -                       | -                 | -     |
| Transfers into Level 3                            | -                       | -                 | -     |
| Transfers out of Level 3                          | -                       | -                 | -     |
| Fair value, end of period                         | \$ -                    | \$ -              | \$ -  |

Transfers into and out of Level 3 are recognized at the end of the reporting period. During 2013 the Company transferred no securities into Level 3 and transferred one security out of Level 3 totaling \$0.2 million. The transfers in and out of level 3 were determined by the observable/unobservable inputs used in pricing the securities.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 5 – RESERVES FOR POLICY BENEFITS

Reserves for policy benefits represent the estimated net present value of future policy benefits, less future policy premiums, established using actuarial methods based on mortality and morbidity experience tables and valuation interest rates prescribed by the Department. Actual future experience will generally differ from assumptions used to determine these reserves.

Reserves for future policy benefits on life insurance issued in 1988 and later are calculated principally on the New Jersey Reserve Method or the Commissioners Reserve Valuation Method using the 1980 Commissioners' Standard Ordinary ("CSO") and the 2001 CSO mortality tables. Reserves on life policies issued before 1988 are calculated principally on the Net Level Premium Reserve Method using the American Experience, 1941, 1958 and 1980 CSO mortality tables. Annuity contract reserves are principally calculated using the 1971, 1983, and 2000 Individual Annuity and 1983 Group Annuity mortality tables. Assumed interest rates principally range from 2.5% to 5.5 % for direct business.

The reserves for Group Life Waiver and LTD reported claims are determined on a seriatim basis. Life waiver of premium reserves are determined primarily using the 1970 Inter-company Group Life Disability Table for claims incurred on or before December 31, 2008 and the 2005 Group Term Life Waiver Reserve Valuation Table for claims incurred on or after January 1, 2009. The interest rate is 4.0% for claims incurred on or before December 31, 2012 and 3.5% for claims incurred on or after January 1, 2013. Long-term disability reserves are determined using the 1987 Commissioners' Group Disability Table and Table 95a and interest rates ranging from 3.0% to 5.0%, depending on year of incurral. Short Term Disability (STD), Dental, and Medical claims incurred but not yet reported ("IBNR") reserves are estimated based on the Company's historical experience. Dental and Medical reserves include reasonable allowances for potential adverse deviation.

The Company maintains a liability for the expenses of direct claims IBNR. The basis of this liability is estimated by management based upon actual Company experience of the cost of claims settlement by product and amounted to \$25 million and \$20 million at December 31, 2014 and December 31, 2013, respectively.

The Company waives deduction of deferred fractional premiums upon death of insured and returns any portion of the final premium paid beyond the date of death. The larger of legally computed reserves and cash surrender values on a policy-by-policy basis are held as liabilities. Plans, except for second-to-die plans, charge additional premiums for substandard lives based upon actual issue age. Second-to-die plans develop substandard reserves using the rated up age. Mean reserves are based on appropriate multiples of standard rates of mortality. As of December 31, 2014, the Company had \$19 billion of insurance in force for which the gross premiums are less than the net premiums according to the standard valuation set by the State of New York. The reserves to cover the above insurance totaled \$35 million. The Tabular Interest, the Tabular Less Actual Reserve Released and the Tabular Cost have been determined by formula. For the determination of Tabular Interest on funds not involving life for each valuation rate of interest, the tabular interest is calculated as the product of such valuation rate of interest times the average of the amount of funds subject to such valuation rate of interest held at the beginning and end of the year of valuation.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 5 – RESERVES FOR POLICY BENEFITS (CONTINUED)

At December 31, 2014 and December 31, 2013 the withdrawal characteristics of the Company's annuity reserves and deposit liabilities were as follows:

| As of December 31, 2014                                                           |                           |                                                  |                                                 |              |                   |
|-----------------------------------------------------------------------------------|---------------------------|--------------------------------------------------|-------------------------------------------------|--------------|-------------------|
|                                                                                   | (1)<br>General<br>Account | (2)<br>Separate<br>Account<br>with<br>Guarantees | (3)<br>Separate<br>Account<br>Non<br>Guaranteed | (4)<br>Total | (4)<br>% of Total |
| A. Subject to discretionary withdrawal:                                           |                           |                                                  |                                                 |              |                   |
| (1) With market value adjustment                                                  | \$ 10                     | \$ -                                             | \$ -                                            | \$ 10        | 1.5%              |
| (2) At book value less current surrender charge of 5% or more                     | 73                        | -                                                | -                                               | 73           | 10.8%             |
| (3) At fair value                                                                 | -                         | -                                                | -                                               | -            | -                 |
| (4) Total with adjustment or at fair value<br>(Total of 1 through 3)              | \$ 83                     | \$ -                                             | \$ -                                            | \$ 83        | 12.3%             |
| (5) At book value without adjustment (with minimal or no<br>charge or adjustment) | \$ 537                    | \$ -                                             | \$ -                                            | \$ 537       | 79.6%             |
| B. Not subject to discretionary withdrawal                                        | \$ 55                     | \$ -                                             | \$ -                                            | \$ 55        | 8.1%              |
| C. Total (gross: direct + assumed)                                                | \$ 675                    | \$ -                                             | \$ -                                            | \$ 675       | 100.0%            |
| D. Reinsurance ceded                                                              | -                         | -                                                | -                                               | -            | -                 |
| E. Total (net)* (C)-(D)                                                           | \$ 675                    | \$ -                                             | \$ -                                            | \$ 675       | 100.0%            |

\* Reconciliation of total annuity actuarial reserves and deposit fund liabilities

| As of December 31, 2013                                                           |                           |                                                  |                                                 |              |                   |
|-----------------------------------------------------------------------------------|---------------------------|--------------------------------------------------|-------------------------------------------------|--------------|-------------------|
|                                                                                   | (1)<br>General<br>Account | (2)<br>Separate<br>Account<br>with<br>Guarantees | (3)<br>Separate<br>Account<br>Non<br>Guaranteed | (4)<br>Total | (4)<br>% of Total |
| A. Subject to discretionary withdrawal:                                           |                           |                                                  |                                                 |              |                   |
| (1) With market value adjustment                                                  | \$ 11                     | \$ -                                             | \$ -                                            | \$ 11        | 1.6%              |
| (2) At book value less current surrender charge of 5% or more                     | 76                        | -                                                | -                                               | 76           | 11.2%             |
| (3) At fair value                                                                 | -                         | -                                                | -                                               | -            | -                 |
| (4) Total with adjustment or at fair value<br>(Total of 1 through 3)              | \$ 87                     | \$ -                                             | \$ -                                            | \$ 87        | 12.9%             |
| (5) At book value without adjustment (with minimal or no<br>charge or adjustment) | \$ 527                    | \$ -                                             | \$ -                                            | \$ 527       | 78.0%             |
| B. Not subject to discretionary withdrawal                                        | \$ 62                     | \$ -                                             | \$ -                                            | \$ 62        | 9.2%              |
| C. Total (gross: direct + assumed)                                                | \$ 676                    | \$ -                                             | \$ -                                            | \$ 676       | 100.0%            |
| D. Reinsurance ceded                                                              | -                         | -                                                | -                                               | -            | -                 |
| E. Total (net)* (C)-(D)                                                           | \$ 676                    | \$ -                                             | \$ -                                            | \$ 676       | 100.0%            |

\* Reconciliation of total annuity actuarial reserves and deposit fund liabilities



# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 6 – PREMIUM AND ANNUITY CONSIDERATIONS DEFERRED AND UNCOLLECTED

Gross deferred and uncollected life insurance premiums represent premiums due to be received from policy owners through the next policy anniversary date. Net deferred and uncollected life insurance premiums represent only the portion of gross premiums related to mortality charges and interest. Deferred and uncollected life insurance premiums at December 31, 2014 and December 31, 2013 were as follows:

| Type                  | 2014          |        | 2013          |        |
|-----------------------|---------------|--------|---------------|--------|
|                       | (In millions) |        | (In millions) |        |
|                       | Gross         | Net    | Gross         | Net    |
| Ordinary new business | \$ 63         | \$ 63  | \$ 73         | \$ 73  |
| Ordinary renewal      | 614           | 546    | 587           | 519    |
| Group life            | 149           | 304    | 140           | 286    |
| Totals                | \$ 826        | \$ 913 | \$ 800        | \$ 878 |

### NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS

#### Defined Benefit Plans:

The Company sponsors non-contributory defined benefit pension plans covering all eligible employees. These include tax-qualified plans, as well as nonqualified plans that provide benefits to certain participants in excess of ERISA limits for qualified plans. The Company's policy is to fully fund the obligations of qualified plans in accordance with ERISA requirements.

In addition to pension benefits, the Company provides certain health care, dental and life insurance benefits ("postretirement benefits") for retired employees. Substantially all of the employees and representatives may become eligible for these benefits if they reach retirement age while working for the Company.

In accordance with NAIC SAP, the costs associated with these required benefits are expensed over the period that the participant provides services to the Company, including recognition of assets and liabilities based on the funded status of the related plans. Pension assets are then non-admitted and thereby excluded from surplus.

Effective January 1, 2013, the Company adopted Statement of Statutory Accounting Principle No. 92, Accounting for Postretirement Benefits Other Than Pensions, A Replacement of SSAP No. 14 ("SSAP 92") and Statement of Statutory Accounting Principle No. 102, Accounting for Pensions, A Replacement of SSAP No. 89 ("SSAP 102"). These new statutory accounting standards require that estimates of the projected benefit obligations and accumulated benefit obligations include future benefit obligations due to non-vested participants. They also require that the Company's surplus as reported in the statements of financial position fully reflect any net liability related to the plans' projected benefit obligations, reduced by the fair value of any plan assets, including unrecognized net experience losses and prior service costs. Based on the funded status of the plans at December 31, 2012, the new standards will reduce surplus by approximately \$260 million once fully implemented. The new standards permit the Company an election to recognize this surplus reduction over a period of up to ten years, which the Company has elected to make.

The table below discloses the remaining unrecognized transition impact:

#### Surplus Impact at Transition

|                                                    |    |       |
|----------------------------------------------------|----|-------|
| Transition Liability                               | \$ | 260   |
| Amount Recognized on January 1, 2013               |    | (59)  |
| Accelerated Transition Liability recognized        |    |       |
| due to funded status gains – December 31, 2013     |    | (120) |
| Remaining Transition Liability - December 31, 2013 |    | 81    |
| Transition amount recognized during 2014           |    | (19)  |
| Remaining Transition Liability - December 31, 2014 | \$ | 62    |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

The table below discloses the anticipated recognition of the remaining transition impact:

| <u>Minimum Transition Liability:</u> | <u>Amortization</u> | <u>Liability</u> |
|--------------------------------------|---------------------|------------------|
| 2015                                 | \$ 16               | \$ 46            |
| 2016                                 | 16                  | 30               |
| 2017                                 | 16                  | 14               |
| 2018                                 | 13                  | 1                |
| 2019                                 | \$ 1                | \$ -             |

### Components of Net Periodic Benefit Expense

The components of net periodic pension and postretirement benefits expense including the amount of unrecognized items amortized into expense for the years ended December 31 are as follows:

|                                     | <u>Pension Benefits</u> |              | <u>Postretirement Benefits</u> |              |
|-------------------------------------|-------------------------|--------------|--------------------------------|--------------|
|                                     | <u>2014</u>             | <u>2013</u>  | <u>2014</u>                    | <u>2013</u>  |
|                                     | (In millions)           |              |                                |              |
| Service cost                        | \$ 61                   | \$ 72        | \$ 6                           | \$ 9         |
| Interest cost                       | 93                      | 80           | 12                             | 11           |
| Expected return on plan assets      | (139)                   | (126)        | (10)                           | (9)          |
| Amortization of transition amount   | 1                       | 1            | -                              | -            |
| Amortization of prior service costs | 13                      | 14           | (3)                            | (3)          |
| Amortization of actuarial net loss  | 21                      | 39           | 4                              | 8            |
| Other                               | <u>13</u>               | <u>-</u>     | <u>(1)</u>                     | <u>-</u>     |
| Net periodic expense                | \$ <u>63</u>            | \$ <u>80</u> | \$ <u>8</u>                    | \$ <u>16</u> |

### Plan Amendments

The Company announced a plan amendment affecting pension benefits on November 13, 2013 effective January 1, 2014. The plan amendment affects only the Home Office defined benefit pension plan. The amendment includes plan design changes to reduce the numbers of year of service used in the pension calculation from 40 to 25 for current and new employees. Current employees with 15 years of service will continue to be eligible for the existing formula. The amendment also eliminates the Special Early Retirement provision (which provides for an unreduced pension when the employee reaches age 60 with 20 years of service) for new employees.

The Company announced a plan amendment affecting postretirement benefits on August 31, 2012 effective January 1, 2013. The plan amendment includes plan design changes which will reduce the Company's Accumulated Postretirement Benefit Obligation ("APBO") and postretirement benefit plan expense. Beginning in 2013, the Company will no longer subsidize retiree health care premiums but rather make an annual contribution to a Health Reimbursement Arrangement ("HRA") on the retiree's behalf. The Company will contribute a capped amount to each eligible retiree's HRA beginning in 2013. Additionally, the Company is placing a cap on the amount it will subsidize for the cost of medical coverage for non-Medicare eligible retirees who retired after 2007.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

Changes in the projected benefit obligations and plan assets during the years ended December 31, 2014 and December 31, 2013 were as follows (in millions):

| Change in benefit obligation               | Pension Benefits |                 | Postretirement Benefits |               |
|--------------------------------------------|------------------|-----------------|-------------------------|---------------|
|                                            | 2014             | 2013            | 2014                    | 2013          |
| Benefit obligation, at beginning of period | \$ 1,811         | \$ 1,801        | \$ 238                  | \$ 187        |
| Service cost                               | 61               | 72              | 6                       | 9             |
| Interest cost                              | 93               | 80              | 12                      | 11            |
| Actuarial loss (gain)                      | 259              | (121)           | 16                      | (49)          |
| Plan amendments                            | -                | -               | (11)                    | -             |
| Non-vested liability                       | -                | 28              | -                       | 94            |
| Settlements                                | (73)             | -               | -                       | -             |
| Benefits paid                              | (56)             | (49)            | (11)                    | (14)          |
| Other                                      | 13               | -               | -                       | -             |
| Benefit obligation, at end of period       | <u>\$ 2,108</u>  | <u>\$ 1,811</u> | <u>\$ 250</u>           | <u>\$ 238</u> |

| Change in fair value of plan assets | Pension Benefits |                 | Postretirement Benefits |               |
|-------------------------------------|------------------|-----------------|-------------------------|---------------|
|                                     | 2014             | 2013            | 2014                    | 2013          |
| Plan assets, at beginning of period | \$ 1,716         | \$ 1,517        | \$ 127                  | \$ 113        |
| Actual return on plan assets        | 153              | 239             | 11                      | 17            |
| Employer contributions              | 65               | 9               | -                       | -             |
| Settlements                         | (73)             | -               | -                       | -             |
| Benefits paid                       | (56)             | (49)            | (2)                     | (3)           |
| Plan assets, at end of period       | <u>\$ 1,805</u>  | <u>\$ 1,716</u> | <u>\$ 136</u>           | <u>\$ 127</u> |

| Funded status                     | Pension Benefits |               | Postretirement Benefits |                |
|-----------------------------------|------------------|---------------|-------------------------|----------------|
|                                   | 2014             | 2013          | 2014                    | 2013           |
| Funded status at end of period    | \$ (303)         | \$ (95)       | \$ (114)                | \$ (111)       |
| Unrecognized transition liability | 3                | 4             | -                       | -              |
| Unrecognized prior service costs  | 4                | 17            | (5)                     | 1              |
| Unrecognized actuarial net loss   | 627              | 404           | 79                      | 68             |
| Net amount recognized             | <u>\$ 331</u>    | <u>\$ 330</u> | <u>\$ (40)</u>          | <u>\$ (42)</u> |

| Recognized as of December 31 | Pension Benefits |                 | Postretirement Benefits |                |
|------------------------------|------------------|-----------------|-------------------------|----------------|
|                              | 2014             | 2013            | 2014                    | 2013           |
| Prepaid benefit cost         | \$ 11            | \$ 138          | \$ -                    | \$ -           |
| Less assets non admitted     | (11)             | (138)           | -                       | -              |
| Accrued liability            | (301)            | (214)           | (65)                    | (49)           |
| Net amount recognized        | <u>\$ (301)</u>  | <u>\$ (214)</u> | <u>\$ (65)</u>          | <u>\$ (49)</u> |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

Unrecognized actuarial net gains or losses represent cumulative amounts by which plan experience for return on plan assets or changes in benefit obligations has been more or less favorable than assumed. These net differences accumulate without being recorded in the Company's financial statements unless they exceed ten percent of plan assets or projected benefit obligation, whichever is greater. If they exceed this limit, they are amortized into net periodic benefit costs over the remaining average years of service until retirement of the employee base, which is currently approximately thirteen years.

#### Assumptions

Weighted average assumptions used in calculating the benefit obligations were as follows:

|                               | Pension Benefits |              | Post Retirement Benefits |              |
|-------------------------------|------------------|--------------|--------------------------|--------------|
|                               | December 31,     | December 31, | December 31,             | December 31, |
|                               | 2014             | 2013         | 2014                     | 2013         |
| Discount rate                 | 4.35%            | 5.20%        | 4.20%                    | 5.00%        |
| Rate of compensation increase | 3.00%            | 3.00%        | 3.00%                    | 3.00%        |

Weighted average assumptions used in calculating the net periodic benefit cost were as follows:

|                                            | Pension Benefits<br>For the Years Ended |              | Post Retirement Benefits<br>For the Years Ended |              |
|--------------------------------------------|-----------------------------------------|--------------|-------------------------------------------------|--------------|
|                                            | December 31,                            | December 31, | December 31,                                    | December 31, |
|                                            | 2014                                    | 2013         | 2014                                            | 2013         |
| Discount rate                              | 5.20%                                   | 4.45%        | 5.00%                                           | 4.25%        |
| Rate of compensation increase              | 3.00%                                   | 3.00%        | 3.00%                                           | 3.00%        |
| Expected return on plan assets:            |                                         |              |                                                 |              |
| Assets in trust account                    | 8.20%                                   | 8.40%        | 8.20%                                           | 8.40%        |
| Assets held under insurance contract/other | 4.35%                                   | 5.20%        | 4.35%                                           | 5.20%        |

Assumed health care cost trend rates were as follows:

|                                     | As of December 31,                   |                                      |
|-------------------------------------|--------------------------------------|--------------------------------------|
|                                     | 2014                                 | 2013                                 |
| Medical & Prescription Pre - Age 65 | 6.70%, grading to 4.5% over 10 years | 6.90%, grading to 4.5% over 10 years |

The trend rates above reflect the Company's current claim experience and management's expectation that future rates of growth will decline. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. At December 31, 2014, a one-percentage-point increase assumed health care cost trend rates would have increased the total service/interest cost components and accumulated benefit obligation for postretirement benefits by \$0.1 million and \$1.0 million, respectively. A one percentage-point decrease in assumed healthcare cost trend rates would have decreased the total service/interest cost components and accumulated benefit obligation for postretirement benefits by \$0.0 million and \$0.3 million, respectively. At December 31, 2013, a one-percentage-point increase assumed health care cost trend rates would have increased the total service/interest cost components and accumulated benefit obligation for postretirement benefits by \$0.1 million and \$1 million, respectively. A one percentage-point decrease in assumed healthcare cost trend rates would have decreased the total service/interest cost components and accumulated benefit obligation for postretirement benefits by \$0.0 million and \$1.0 million, respectively.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 includes the following two features to Medicare Part D that could affect the measurement of the APBO and net periodic postretirement cost for the Plan:

- (a) A federal subsidy (based on 28% of an individual beneficiary's annual prescription drug costs between \$250 and \$5,000), which is not taxable, to sponsors of retiree healthcare benefit plans that provide a prescription drug benefit that is at least actuarially equivalent to Medicare Part D; and
- (b) The opportunity for a retiree to obtain a prescription drug benefit under Medicare.

The Company did not receive a subsidy for the years ended December 31, 2014 and 2013.

The accumulated benefit obligations ("ABO") for the funded and unfunded pension plans were \$1,598 million and \$261 million, respectively, at December 31, 2014 and \$1,411 million and \$205 million, respectively, at December 31, 2013. The APBO for the postretirement plans was \$250 million at December 31, 2014 and \$238 million at December 31, 2013.

For the pension plans with ABO in excess of plan assets, the projected benefit obligations, accumulated benefit obligations, and fair value of plan assets were \$300 million, \$261 million, and \$0 million respectively at December 31, 2014 and \$234 million, \$205 million, and \$0 million respectively at December 31, 2013.

The pension plans hold immediate participation guarantee group annuity ("IPG") contracts purchased from the Company. These contracts are expected to provide future benefits to plan participants specifically covered by these contracts of \$24 million at December 31, 2014 and \$25 million at December 31, 2013.

With respect to the Company's pension plans, the actuarially calculated funding amount ranges from the minimum amount the Company would be required to contribute to the maximum amount that would be deductible for tax purposes. Contribution amounts in excess of the minimum amounts are deemed voluntary. Amounts in excess of the maximum amount would be subject to an excise tax and may not be deductible under the Internal Revenue Code. The Company made a \$55 million contribution during 2014. The Company made no contribution in 2013 to its pension plans and does not expect to make a contribution to its pension plans in 2015.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

#### Benefit Payments

The expected benefit payments for the Company's pension and postretirement plans for the years indicated are as follows:

| Estimated Future Payments | Pension Benefits | (In millions) |    | Other Benefits |
|---------------------------|------------------|---------------|----|----------------|
|                           |                  |               |    |                |
| 2015                      | \$               | 152           | \$ | 14             |
| 2016                      |                  | 64            |    | 14             |
| 2017                      |                  | 69            |    | 14             |
| 2018                      |                  | 73            |    | 14             |
| 2019                      |                  | 77            |    | 14             |
| 2020 - 2024               |                  | 486           |    | 77             |

#### Plan Assets

The Company's pension and postretirement plans' asset allocation by major asset class at December 31, 2014 and December 31, 2013, and the target allocation for 2015, are as follows:

| Asset Category        | Target Allocation | Percentage of Plan Assets at |                         |
|-----------------------|-------------------|------------------------------|-------------------------|
|                       | 2015              | As of December 31, 2014      | As of December 31, 2013 |
| U.S. Stocks           | 15-55%            | 42%                          | 48%                     |
| International Stocks  | 10-20%            | 11%                          | 15%                     |
| Non-convertible Bonds | 35-50%            | 41%                          | 31%                     |
| Convertible Bonds     | 2.5%-15%          | 6%                           | 6%                      |
|                       |                   | 100%                         | 100%                    |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

The investment strategy with respect to the Company's pension plan assets is to preserve capital and to seek investment returns with a goal of fully funding the plan.

The expected rate of return was 8.2% and 8.4% for the years ending December 31, 2014 and December 31, 2013, respectively. These rates of return are an aggregation of expected returns within each asset category. The return with respect to each asset class considers both historical returns and the future expectations for such returns.

Target allocations of assets are determined with the objective of maximizing returns and minimizing volatility of net assets through adequate asset diversification and partial liability immunization. Adjustments are made to target allocations based on the Company's assessment of the impact of economic factors and market conditions.

The following table summarizes the Master Trust's financial instruments carried at fair value hierarchy levels.

| Description                  | As of December 31, 2014 |          |         |                  |
|------------------------------|-------------------------|----------|---------|------------------|
|                              | (In millions)           |          |         | Total Fair Value |
|                              | Level 1                 | Level 2  | Level 3 |                  |
| Common stocks                | \$ -                    | \$ 893   | \$ -    | \$ 893           |
| Fixed maturities             |                         |          |         |                  |
| U.S. Government              | 112                     | -        | -       | 112              |
| All other Government         | -                       | 8        | -       | 8                |
| States, Territories          | -                       | 5        | -       | 5                |
| Political Subdivisions       | -                       | 1        | -       | 1                |
| Special revenue              | -                       | 6        | -       | 6                |
| Industrial and Miscellaneous | -                       | 707      | -       | 707              |
| Hybrid                       | -                       | 1        | -       | 1                |
| Total Fixed maturities       | 112                     | 728      | -       | 840              |
| Preferred stocks             | -                       | 15       | -       | 15               |
| Total                        | \$ 112                  | \$ 1,636 | \$ -    | \$ 1,748         |

The table below sets forth a summary of changes in the fair value of the Master Trust's level 3 assets for the period ended December 31, 2014:

|                            | Level 3 Assets                 |                 |       |
|----------------------------|--------------------------------|-----------------|-------|
|                            | Period ended December 31, 2014 |                 |       |
|                            | Fixed maturities               | Preferred stock | Total |
| Balance, beginning of year | \$ -                           | \$ -            | \$ -  |
| Purchases and sales, net   | -                              | -               | -     |
| Transfers in (out), net    | -                              | -               | -     |
| Gains (losses), net        | -                              | -               | -     |
| Balance end of year        | \$ -                           | \$ -            | \$ -  |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 7 – EMPLOYEE AND REPRESENTATIVE BENEFIT PLANS (CONTINUED)

|                              | As of December 31, 2013 |          |         |                      |
|------------------------------|-------------------------|----------|---------|----------------------|
|                              | (In millions)           |          |         |                      |
| Description                  | Level 1                 | Level 2  | Level 3 | Estimated Fair Value |
| Common stocks                | \$ 88                   | \$ 984   | \$ -    | \$ 1,072             |
| Fixed maturities             |                         |          |         |                      |
| U.S. Government              | -                       | 49       | -       | 49                   |
| All other Government         | -                       | 8        | -       | 8                    |
| States, Territories          | -                       | 4        | -       | 4                    |
| Political Subdivisions       | -                       | 1        | -       | 1                    |
| Special revenue              | -                       | 6        | -       | 6                    |
| Industrial and Miscellaneous | -                       | 586      | -       | 586                  |
| Credit Tenant Loans          | -                       | 2        | -       | 2                    |
| Total Fixed maturities       | -                       | 656      | -       | 656                  |
| Preferred stocks             | -                       | -        | -       | -                    |
|                              | -                       | 12       | -       | 12                   |
| Total                        | \$ 88                   | \$ 1,652 | \$ -    | \$ 1,740             |

The table below sets forth a summary of changes in the fair value of the Master Trust's level 3 assets for the year ended December 31, 2013:

|                            | Level 3 Assets               |                 |       |
|----------------------------|------------------------------|-----------------|-------|
|                            | Year Ended December 31, 2013 |                 |       |
|                            | Fixed maturities             | Preferred stock | Total |
| Balance, beginning of year | \$ -                         | \$ -            | \$ -  |
| Purchases and sales, net   | -                            | -               | -     |
| Transfers in (out), net    | -                            | -               | -     |
| Gains (losses), net        | -                            | -               | -     |
| Balance end of year        | \$ -                         | \$ -            | \$ -  |

### Defined Contribution Plans

The Company sponsors defined contribution plans as follows:

Home office employees are covered by investment and profit sharing plan pension plans 401(k)/401(a). Employees can invest up to 3% of their salary matched by an equal amount from the Company. They are also allowed an additional 10% (if not highly paid) of non-matched contributions. In addition, the Company provides a profit sharing allocation in proportion to salary. Field representatives are covered by a 401(k)/401(a) investment plan in which they can invest up to 3% of their salary matched by an equal amount from the Company. They are also allowed an additional 12% (if not highly paid) of non-matched contributions. The assets for the home office employees and field representatives' plans are held in a trust. Full time agents and general agents are covered by non-contributory plans. The Company contributed \$26 million to these plans in 2014 and \$25 million in 2013. The Company funds these plans and reflects the funded amounts as a liability.



# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 8 – INCOME TAXES

#### Consolidated Federal Income Tax Return

The Company's federal income tax return is consolidated with the following entities:

- Guardian Insurance & Annuity Company, Inc. and its subsidiaries,
- Park Avenue Life Insurance Company,
- Sentinel American Life Insurance Company,
- Family Service Life Insurance Company,
- Managed Dental Care of California,
- Managed Dental Guard of Texas,
- Managed Dental Guard of New Jersey,
- Innovative Underwriters Inc.,
- Berkshire Life Insurance Company of America
- First Commonwealth, Inc. and its subsidiaries

The Company files a consolidated federal income tax return as parent, with its subsidiaries. The Company has a written agreement, approved by the Company's Board of Directors, which sets forth the manner in which the total combined federal income tax is allocated to each entity which is a party to the consolidation. Pursuant to this agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future net losses, which it may incur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes.

The Internal Revenue Code limits the amount of non-life insurance losses that may offset life insurance company taxable income. The consolidated income tax liability is allocated among the members of the group pursuant to a tax allocation agreement. In accordance with the tax allocation agreement, each qualifying member of the group computes its tax provision and liability on a separate return basis, but may, where applicable, recognize benefits of net operating losses and capital losses utilized in the consolidated group. Subsidiary tax liabilities/benefits are settled subsequent to the filing of the federal income tax return.

An estimate of the amount of any increase in the Company's Federal or foreign income tax loss contingencies during the twelve month period ending December 31, 2015 cannot be made.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 8 – INCOME TAXES (CONTINUED)

The components of the net deferred tax asset recognized in the Company's Assets, Liabilities, Surplus and Other Funds are as follows:

|                                           | December 31, 2014 |         |          |
|-------------------------------------------|-------------------|---------|----------|
|                                           | Ordinary          | Capital | Total    |
| Gross Deferred Tax Assets                 | \$ 1,760          | \$ 45   | \$ 1,805 |
| Statutory valuation allowance adjustments | -                 | -       | -        |
| Adjusted Gross Deferred Tax Assets        | 1,760             | 45      | 1,805    |
| Deferred Tax Assets Nonadmitted           | 340               | (119)   | 221      |
| Subtotal Net Admitted Deferred Tax Asset  | 1,420             | 164     | 1,584    |
| Deferred Tax Liabilities                  | 753               | 120     | 873      |
| Net Admitted Deferred Tax Asset           | \$ 667            | \$ 44   | \$ 711   |

|                                           | December 31, 2013 |         |          |
|-------------------------------------------|-------------------|---------|----------|
|                                           | Ordinary          | Capital | Total    |
| Gross Deferred Tax Assets                 | \$ 1,647          | \$ 71   | \$ 1,718 |
| Statutory valuation allowance adjustments | -                 | -       | -        |
| Adjusted Gross Deferred Tax Assets        | 1,647             | 71      | 1,718    |
| Deferred Tax Assets Nonadmitted           | 281               | (79)    | 202      |
| Subtotal Net Admitted Deferred Tax Asset  | 1,366             | 150     | 1,516    |
| Deferred Tax Liabilities                  | 710               | 101     | 811      |
| Net Admitted Deferred Tax Asset           | \$ 656            | \$ 49   | \$ 705   |

|                                                              | Change   |         |       |
|--------------------------------------------------------------|----------|---------|-------|
|                                                              | Ordinary | Capital | Total |
| Gross Deferred Tax Assets                                    | \$ 113   | \$ (26) | \$ 87 |
| Statutory valuation allowance adjustments                    | -        | -       | -     |
| Adjusted Gross Deferred Tax Assets                           | 113      | (26)    | 87    |
| Deferred Tax Assets Nonadmitted                              | 59       | (40)    | 19    |
| Subtotal Net Admitted Deferred Tax Asset                     | 54       | 14      | 68    |
| Deferred Tax Liabilities                                     | 43       | 19      | 62    |
| Net Admitted Deferred Tax Asset/(Net Deferred Tax Liability) | \$ 11    | \$ (5)  | \$ 6  |

Deferred income taxes are generally recognized, based on enacted tax rates, when assets and liabilities have different values for financial statement and tax purposes. A valuation allowance is recorded if it is more likely than not that some portion or all of the deferred tax asset will not be realized. The Company's management has concluded that the deferred income tax assets are more likely than not to be realized. Therefore, no valuation allowance has been provided.

During 2013, the Company corrected an error in the accounting for deferred income taxes. In connection with this, an adjustment was recorded to decrease the gross deferred tax asset by \$6.1 million. In addition, a corresponding adjustment of \$6.1 million was recorded to decrease the non admitted deferred tax asset resulting in no net impact to the net admitted deferred tax asset or surplus.

### Admission calculation components SSAP No. 101 (Paragraph 11)

The Company follows the guidance in Statement of Statutory Accounting Principles No. 101 - Income Taxes, A Replacement of SSAP No. 10R and SSAP No.10 ("SSAP 101"). SSAP 101 included a similar calculation for limitation of gross deferred tax assets as SSAP 10R for insurers that maintain a minimum of 300% of their authorized control level RBC computed without net deferred tax assets. The Company exceeded the 300% minimum RBC requirement at December 31, 2014 and expects to exceed this minimum during 2015.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 8 – INCOME TAXES (CONTINUED)

|                                                                                                                                                                                                                  |  |  | December 31, 2014 |          |          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|-------------------|----------|----------|
|                                                                                                                                                                                                                  |  |  | Ordinary          | Capital  | Total    |
| a. Federal income taxes paid in prior years recoverable through loss carrybacks.                                                                                                                                 |  |  | \$ 609            | \$ 44    | \$ 653   |
| b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2a, above) after application of the threshold limitation. (The Lesser of 2b.i. and 2b.ii. below) |  |  | 58                | -        | 58       |
| The lesser of:                                                                                                                                                                                                   |  |  |                   |          |          |
| i. Adjusted gross deferred tax assets expected to be realized following the balance sheet date                                                                                                                   |  |  | 58                | -        | 58       |
| ii. Adjusted gross deferred tax assets allowed per limitation threshold.                                                                                                                                         |  |  | N/A               | N/A      | 746      |
| c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from a. and b. above) offset by gross deferred tax liabilities.                                                               |  |  | 753               | 120      | 873      |
| Deferred tax assets admitted as the result of application of SSAP No. 101. Total (a. + b. + c.)                                                                                                                  |  |  | \$ 1,420          | \$ 164   | \$ 1,584 |
|                                                                                                                                                                                                                  |  |  | December 31, 2013 |          |          |
|                                                                                                                                                                                                                  |  |  | Ordinary          | Capital  | Total    |
| a. Federal income taxes paid in prior years recoverable through loss carrybacks.                                                                                                                                 |  |  | \$ 508            | \$ 48    | \$ 556   |
| b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2a, above) after application of the threshold limitation. (The Lesser of 2b.i. and 2b.ii. below) |  |  | 149               | -        | 149      |
| The lesser of:                                                                                                                                                                                                   |  |  |                   |          |          |
| i. Adjusted gross deferred tax assets expected to be realized following the balance sheet date                                                                                                                   |  |  | 149               | -        | 149      |
| ii. Adjusted gross deferred tax assets allowed per limitation threshold.                                                                                                                                         |  |  | N/A               | N/A      | 645      |
| c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from a. and b. above) offset by gross deferred tax liabilities.                                                               |  |  | 710               | 101      | 811      |
| Deferred tax assets admitted as the result of application of SSAP No. 101. Total (a. + b. + c.)                                                                                                                  |  |  | \$ 1,367          | \$ 149   | \$ 1,516 |
|                                                                                                                                                                                                                  |  |  | Change            |          |          |
|                                                                                                                                                                                                                  |  |  | Ordinary          | Capital  | Total    |
| a. Federal income taxes paid in prior years recoverable through loss carrybacks.                                                                                                                                 |  |  | \$ 101            | \$ (4)   | \$ 97    |
| b. Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2a, above) after application of the threshold limitation. (The Lesser of 2b.i. and 2b.ii. below) |  |  | (91)              | -        | (91)     |
| The lesser of:                                                                                                                                                                                                   |  |  |                   |          |          |
| i. Adjusted gross deferred tax assets expected to be realized following the balance sheet date                                                                                                                   |  |  | (91)              | -        | (91)     |
| ii. Adjusted gross deferred tax assets allowed per limitation threshold.                                                                                                                                         |  |  | N/A               | N/A      | 101      |
| c. Adjusted gross deferred tax assets (excluding the amount of deferred tax assets from a. and b. above) offset by gross deferred tax liabilities.                                                               |  |  | 43                | 19       | 62       |
| Deferred tax assets admitted as the result of application of SSAP No. 101. Total (a. + b. + c.)                                                                                                                  |  |  | \$ 53             | \$ 15    | \$ 68    |
|                                                                                                                                                                                                                  |  |  | 2014              | 2013     |          |
| Ratio percentage used to determine recovery period and threshold limitation amount                                                                                                                               |  |  | 945%              | 884%     |          |
| Amount of adjusted capital and surplus used to determine recovery period and threshold limitation                                                                                                                |  |  | \$ 6,174          | \$ 5,428 |          |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 8 – INCOME TAXES (CONTINUED)

#### Impact of Tax Planning Strategies

|                                                                                                                              | <u>December 31, 2014</u> |                |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------|
|                                                                                                                              | <u>Ordinary</u>          | <u>Capital</u> |
| 1. Adjusted Gross DTAs amount                                                                                                | 1,760                    | 45             |
| 2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies                  | 1.0%                     | 2.5%           |
| 3. Net Admitted Adjusted Gross DTAs amount                                                                                   | 1,420                    | 164            |
| 4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies | 3.2%                     | 6.2%           |

|                                                                                                                              | <u>December 31, 2013</u> |                |
|------------------------------------------------------------------------------------------------------------------------------|--------------------------|----------------|
|                                                                                                                              | <u>Ordinary</u>          | <u>Capital</u> |
| 1. Adjusted Gross DTAs amount                                                                                                | 1,647                    | 71             |
| 2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies                  | 2.0%                     | 2.8%           |
| 3. Net Admitted Adjusted Gross DTAs amount                                                                                   | 1,366                    | 150            |
| 4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies | 6.0%                     | 6.9%           |

|                                                                                                                              | <u>Change</u>   |                |
|------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------|
|                                                                                                                              | <u>Ordinary</u> | <u>Capital</u> |
| 1. Adjusted Gross DTAs amount                                                                                                | 113             | (26)           |
| 2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies                  | -1.0%           | -0.3%          |
| 3. Net Admitted Adjusted Gross DTAs amount from                                                                              | 54              | 14             |
| 4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies | -2.8%           | -0.7%          |

Does the Company's tax-planning strategies include the use of reinsurance? Yes \_\_\_\_\_ No X

All DTL were recognized as of December 31, 2014 and December 31, 2013

#### Current income taxes incurred consisted of the following major components:

| <u>Description</u>                              | <u>December 31, 2014</u> | <u>December 31, 2013</u> | <u>Change</u> |
|-------------------------------------------------|--------------------------|--------------------------|---------------|
| (In millions)                                   |                          |                          |               |
| Federal income tax expense on operating income  | \$ 133                   | \$ 158                   | \$ (25)       |
| Prior year overaccrual                          | (38)                     | (30)                     | (8)           |
| Contingent tax                                  | 7                        | 7                        | -             |
| Current Federal operations income tax expense   | \$ 102                   | \$ 135                   | \$ (33)       |
| Federal income tax expense on capital gains     | \$ 80                    | \$ 56                    | \$ 24         |
| Prior year underaccrual                         | 19                       | 14                       | 5             |
| Current Federal capital gain income tax expense | \$ 99                    | \$ 70                    | \$ 29         |
| Federal and foreign income taxes incurred       | \$ 201                   | \$ 205                   | \$ (4)        |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 8 – INCOME TAXES (CONTINUED)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

|                                                     | <u>2014</u>     | <u>2013</u>     | <u>Change</u> |
|-----------------------------------------------------|-----------------|-----------------|---------------|
| DTAs Resulting from Book/Income Tax Differences In: |                 | (In millions)   |               |
| Ordinary:                                           |                 |                 |               |
| Reserves                                            | \$ 584          | \$ 574          | \$ 10         |
| Policy acquisition costs                            | 383             | 367             | 16            |
| Dividend provision                                  | 276             | 276             | -             |
| Liabilities for employees and agents                | 138             | 122             | 16            |
| Non admitted assets                                 | 274             | 210             | 64            |
| Contract liabilities and unpaid claims              | 1               | 4               | (3)           |
| Leasehold improvement                               | 12              | 12              | -             |
| Other                                               | 92              | 82              | 10            |
| Gross ordinary DTA - (admitted and nonadmitted)     | <u>\$ 1,760</u> | <u>\$ 1,647</u> | <u>\$ 113</u> |
| Statutory valuation allowance adjustment - ordinary | -               | -               | -             |
| Total ordinary DTA - (nonadmitted)                  | <u>340</u>      | <u>281</u>      | <u>59</u>     |
| Admitted ordinary DTA                               | 1,420           | 1,366           | 54            |
| Capital:                                            |                 |                 |               |
| Impaired securities                                 | 22              | 26              | (4)           |
| Unrealized capital losses                           | 16              | 29              | (13)          |
| Other                                               | 6               | 16              | (10)          |
| Gross capital DTA - (admitted and nonadmitted)      | <u>44</u>       | <u>71</u>       | <u>(27)</u>   |
| Statutory valuation allowance adjustment - capital  | -               | -               | -             |
| Total capital DTA - (nonadmitted)                   | <u>(119)</u>    | <u>(79)</u>     | <u>(40)</u>   |
| Admitted capital DTA                                | <u>163</u>      | <u>150</u>      | <u>13</u>     |
| Total admitted DTA                                  | <u>\$ 1,583</u> | <u>\$ 1,516</u> | <u>\$ 67</u>  |
| DTLs Resulting from Book/Income Tax Differences In: |                 |                 |               |
| Ordinary:                                           |                 |                 |               |
| Deferred and uncollected premiums                   | \$ 339          | \$ 323          | \$ 16         |
| Guaranteed dividend                                 | 183             | 179             | 4             |
| Other invested assets                               | 58              | 46              | 12            |
| Pension                                             | 103             | 102             | 1             |
| Reserves 10 Year spread                             | 19              | 15              | 4             |
| Other                                               | 51              | 45              | 6             |
| Ordinary DTL                                        | <u>\$ 753</u>   | <u>\$ 710</u>   | <u>\$ 43</u>  |
| Capital:                                            |                 |                 |               |
| Unrealized capital gains                            | 29              | 29              | -             |
| Deferred gain                                       | 84              | 71              | 13            |
| Other                                               | 6               | 1               | 5             |
| Capital DTL                                         | <u>119</u>      | <u>101</u>      | <u>18</u>     |
| Total DTL                                           | <u>\$ 872</u>   | <u>\$ 811</u>   | <u>\$ 61</u>  |
| Net admitted DTA/(DTL)                              | <u>\$ 711</u>   | <u>\$ 705</u>   | <u>\$ 6</u>   |

The Change in net deferred income taxes is comprised of the following:

|                                                                               |               |               |              |
|-------------------------------------------------------------------------------|---------------|---------------|--------------|
| Adjusted gross deferred tax assets                                            | \$ 1,805      | \$ 1,718      | \$ 87        |
| Total Deferred Tax Liabilities                                                | <u>873</u>    | <u>811</u>    | <u>62</u>    |
| Net deferred tax assets (liabilities)                                         | <u>\$ 932</u> | <u>\$ 907</u> | <u>\$ 25</u> |
| Tax effect of net unrealized gains (losses)                                   |               |               | (7)          |
| Tax effect of net unrealized gains (losses) prior year remediation adjustment |               |               | 21           |
| Change in net deferred income tax                                             |               |               | <u>\$ 39</u> |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 8 – INCOME TAXES (CONTINUED)

The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant book to tax adjustments causing this difference were the following:

|                                                                                               | <u>December 31, 2014</u> | <u>Effective Tax Rate</u> |
|-----------------------------------------------------------------------------------------------|--------------------------|---------------------------|
|                                                                                               | (In millions)            |                           |
| Net gain from operations after dividends to policyholders and before Federal income tax @ 35% | \$ 258                   |                           |
| Net realized capital gains (losses) @ 35%                                                     | <u>62</u>                |                           |
| Provision calculated at statutory rate                                                        | 320                      | 35.00%                    |
| <br>Tax effect of:                                                                            |                          |                           |
| Interest maintenance reserve                                                                  | 9                        | 0.98%                     |
| Tax exempt interest                                                                           | (5)                      | (0.54%)                   |
| Dividends received deduction                                                                  | (1)                      | (0.11%)                   |
| Affiliated dividends                                                                          | (108)                    | (11.80%)                  |
| Meals & entertainment                                                                         | 1                        | 0.11%                     |
| IRS affirmative adjustment                                                                    | (3)                      | (0.32%)                   |
| Non-admitted assets                                                                           | (64)                     | (6.87%)                   |
| Affordable Care Act Fees                                                                      | 9                        | 0.97%                     |
| Other                                                                                         | (2)                      | (0.11%)                   |
| Subtotal                                                                                      | <u>156</u>               | 17.31%                    |
| Contingent taxes                                                                              | 8                        | 0.86%                     |
| Return to provision                                                                           | (3)                      | (0.32%)                   |
| Total statutory income taxes                                                                  | <u>\$ 161</u>            | <u>17.85%</u>             |
| <br>Federal income taxes incurred                                                             | 201                      | 22.07%                    |
| Change in net deferred income taxes                                                           | (40)                     | (4.22%)                   |
| Total statutory income taxes                                                                  | <u>\$ 161</u>            | <u>17.85%</u>             |

### Operating Loss and Tax Credit Carryforwards

As of December 31, 2014, the Company does not have any net ordinary loss carryforwards, capital loss carryforwards or tax credit carryforwards.

The following are income taxes incurred in prior years that are available for recoupment in the event of future net losses:

| <u>Year</u> | <u>Ordinary</u> | <u>Capital</u> | <u>Total</u>  |
|-------------|-----------------|----------------|---------------|
|             |                 | (In millions)  |               |
| 2014        | \$ 133          | \$ 80          | \$ 213        |
| 2013        | 131             | 75             | 206           |
| 2012        | <u>82</u>       | <u>152</u>     | <u>234</u>    |
| Total       | <u>\$ 346</u>   | <u>\$ 307</u>  | <u>\$ 653</u> |

As of December 31, 2014, the Company does not have any deposits admitted pursuant to the Internal Revenue Code Section 6603.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 8 – INCOME TAXES (CONTINUED)

#### Contingent Tax Liabilities

As of December 31, 2014, the Company had \$50 million of unrecognized tax benefits and related interest expense, if recognized, all of which would affect the Company's annual effective tax rate. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of the shorter deductibility period would not affect the annual effective tax rate but would accelerate the payment of cash to the taxing authority to an earlier period.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expense. During the year ending December 31, 2014, and year ending December 31, 2013, the Company recognized approximately \$8 and \$7 million in interest and penalties. The Company has approximately \$40 and \$32 million accrued for payment of interest and penalties at December 31, 2014, and December 31, 2013, respectively.

The Company files U.S. federal income tax returns along with various state and local income tax returns. The IRS is currently reviewing the Company's U.S. income tax returns for the tax years 2009 through 2011.

### NOTE 9 – REINSURANCE CEDED

In the normal course of business, the Company seeks to limit its exposure to loss on any single insured and to recover a portion of benefits paid by ceding business to reinsurers under various modified coinsurance agreements, coinsurance agreements, and combinations thereof, and yearly renewable term agreements. These agreements provide for reinsurance of selected individual life and disability policies and group life and group health contracts. Under the terms of the modified coinsurance agreements, reserves related to the reinsured business and the corresponding assets are held by the Company. The Company retains the primary obligation to the policyholder for reinsured policies. Failure of reinsurers to honor their obligations could result in losses to the Company; consequently, the Company evaluates the financial condition of its reinsurers in order to minimize its exposure to losses from reinsurer insolvencies.

The effects of these ceding agreements on the components of gain from operations in the accompanying statutory basis statements of operations are as follows:

|                                                     | <u>2014</u>   | <u>2013</u>  |
|-----------------------------------------------------|---------------|--------------|
|                                                     | (In millions) |              |
| Premiums, annuity considerations and fund deposits  | \$ (458)      | \$ (453)     |
| Commissions and expense allowances (other income)   | 111           | 110          |
| Total revenues                                      | <u>(347)</u>  | <u>(343)</u> |
| Benefit payments to policyholders and beneficiaries | (354)         | (319)        |
| Net reductions to policy benefit reserves           | (96)          | (115)        |
| Commissions and operating expenses                  | <u>(2)</u>    | <u>(3)</u>   |
| Total expenses                                      | <u>(452)</u>  | <u>(437)</u> |
| Net gain on operations from reinsurance ceded       | <u>\$ 105</u> | <u>\$ 94</u> |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 10 – REINSURANCE ASSUMED

The Company enters into various modified coinsurance agreements, coinsurance agreements, and combinations thereof and yearly renewable term agreements that provide reinsurance on life insurance, annuities, credit life, disability insurance, and credit accident and health business. Under the terms of the various reinsurance treaties, the Company assumed (net of retrocession) approximately \$4 billion face amount of life insurance at December 31, 2014 and \$4 billion at December 31, 2013. Under the terms of modified coinsurance agreements, reserves related to the reinsured business and the corresponding assets are held by the ceding company.

The Company entered into a coinsurance agreement with BLICOA an affiliated insurance company effective January 1, 2013. Under the agreement, the Company assumed 80% of the net individual disability insurance (IDI) originally ceded to BLICOA from the Company via the July 1, 2001 coinsurance treaty as well as 80% of the IDI and multi-life (ML) business written by BLICOA since the 2001 treaty. The reinsurance is done on a funds withheld basis with supporting invested assets remaining in BLICOA. Under the terms of the coinsurance agreement the Company assumed \$2,031 million in ceded reserves from BLICOA, while BLICOA retained the corresponding assets, on January 1, 2013.

The Company entered into one Individual Life Yearly Renewable Term reinsurance agreement with an affiliated insurance company GIAC, effective January 1, 2011. The agreement covers GIAC's current form Secondary Guarantee Universal Life and Survivorship Universal Life plans having policy effective dates of January 1, 2011 and later. Reinsurance under the new agreement is assumed on an automatic 90% first dollar quota share basis.

The following tables outline the effects of these assumption agreements on the accompanying statutory basis statements of operations.

#### Reinsurance Assumed from Affiliates

|                                                     | <u>2014</u>   | <u>2013</u>  |
|-----------------------------------------------------|---------------|--------------|
|                                                     | (In millions) |              |
| Premiums, annuity considerations and fund deposits  | \$ 606        | \$ 2,606     |
| Reserve adjustments on reinsurance (other income)   | 31            | 24           |
| Total revenues                                      | <u>637</u>    | <u>2,630</u> |
| Benefit payments to policyholders and beneficiaries | 277           | 282          |
| Net additions to policy benefit reserves            | 149           | 2,105        |
| Commissions and operating expenses                  | 194           | 192          |
| Total expenses                                      | <u>620</u>    | <u>2,579</u> |
| Net gain on operations from reinsurance assumed     | <u>\$ 17</u>  | <u>\$ 51</u> |

#### Reinsurance Assumed from Non-Affiliates

|                                                       | <u>2014</u>    | <u>2013</u> |
|-------------------------------------------------------|----------------|-------------|
|                                                       | (In millions)  |             |
| Premiums, annuity considerations and fund deposits    | \$ 4           | \$ 4        |
| Reserve adjustments on reinsurance (other income)     | -              | -           |
| Total revenues                                        | <u>4</u>       | <u>4</u>    |
| Benefit payments to policyholders and beneficiaries   | 10             | 4           |
| Net additions (reductions) to policy benefit reserves | (2)            | (4)         |
| Commissions and operating expenses                    | 6              | -           |
| Total expenses                                        | <u>14</u>      | <u>-</u>    |
| Net gain on operations from reinsurance assumed       | <u>\$ (10)</u> | <u>\$ 4</u> |



# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 10 – REINSURANCE ASSUMED (CONTINUED)

Total Reinsurance Assumed

|                                                       | <u>2014</u>   | <u>2013</u>  |
|-------------------------------------------------------|---------------|--------------|
|                                                       | (In millions) |              |
| Premiums, annuity considerations and fund deposits    | \$ 610        | \$ 2,610     |
| Reserve adjustments on reinsurance (other income)     | <u>31</u>     | <u>24</u>    |
| Total revenues                                        | <u>641</u>    | <u>2,634</u> |
| Benefit payments to policyholders and beneficiaries   | 287           | 286          |
| Net additions (reductions) to policy benefit reserves | 147           | 2,101        |
| Commissions and operating expenses                    | <u>200</u>    | <u>192</u>   |
| Total expenses                                        | <u>634</u>    | <u>2,579</u> |
| Net gain on operations from reinsurance assumed       | <u>\$ 7</u>   | <u>\$ 55</u> |

### NOTE 11 – RELATED PARTY TRANSACTIONS

The Company maintains investments in affiliated mutual funds amounting to \$230 million and \$254 million at December 31, 2014 and 2013, respectively.

During 2013, the Company transferred a \$20 million mortgage loan investment to Hanover Acquisition VI, LLC. There was no financial impact as a result of this transfer.

In 2014 and 2013, the Company made the following capital contributions to its real estate joint ventures and affiliates which are an addition to Other invested assets in the Statutory Basis Balance Sheets:

|                                       | <u>2014</u>   | <u>2013</u>   |
|---------------------------------------|---------------|---------------|
|                                       | (In millions) |               |
| GFP Residential Holdings, LLC         | \$ 1          | \$ 25         |
| Guardian Campus Holdings, LLC         | -             | 16            |
| Guardian Capco, LLC                   | 6             | 11            |
| Guardian LCP Commercial I, LLC        | 1             | -             |
| Guardian LCP Hospitality Finance, LLC | 2             | 4             |
| Guardian LCP Hospitality I, LLC       | 1             | 12            |
| Guardian Westwood Holdings, LLC       | -             | 12            |
| Piazza D'Oro, LLC                     | -             | 33            |
| Truamerica Multifamily, LLC           | -             | 6             |
| Truamerica Properties, LLC            | 14            | 6             |
| Guardian Park Side Commons, LLC       | 17            | -             |
| Truamerica Properties II, LLC         | 5             | -             |
| Guardian Ponderosa, LLC               | 4             | -             |
| Guardian Carriages, LLC               | 5             | -             |
| Guardian Lowry, LLC                   | 10            | -             |
| Lowes Capital Partners 2A, LLC        | 3             | -             |
| Guardian Beaumont, LLC                | 36            | -             |
| Hanover Acquisitions II, LLC          | <u>10</u>     | <u>-</u>      |
| Total                                 | <u>\$ 115</u> | <u>\$ 125</u> |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

In 2014 and 2013, the Company made the following capital contributions to its subsidiaries:

|                                                       | <u>2014</u>   | <u>2013</u>   |
|-------------------------------------------------------|---------------|---------------|
|                                                       | (In millions) |               |
| eMoney Advisor Holdings, LLC ("eMoney Holdings")      | \$ 1          | \$ 5          |
| Guardian Insurance and Annuity Company, Inc. ("GIAC") | 56            | 93            |
| Guardian Investor Services, LLC ("GIS")               | -             | 7             |
| First Commonwealth, Inc. ("FCW")                      | 254           | -             |
| Total                                                 | <u>\$ 311</u> | <u>\$ 105</u> |

The capital contributions to GIS and eMoney Holdings are recorded as an addition to Other invested assets in the Statutory Basis Balance Sheets, while the capital contributions to GIAC and FCW are recorded as an addition to Common and preferred stocks in the Statutory Basis Balance Sheets.

In 2014 and 2013, the Company received returns of capital from its real estate affiliates as follows, which are a reduction to Other invested assets in the Statutory Basis Balance Sheets:

|                                       | <u>2014</u>   | <u>2013</u> |
|---------------------------------------|---------------|-------------|
|                                       | (In millions) |             |
| Guardian CapCo, LLC                   | \$ 9          | \$ -        |
| Guardian LCP Hospitality I, LLC       | 16            | -           |
| Guardian LEIM, LLC                    | -             | 1           |
| Guardian Campus Holdings, LLC         | 1             | -           |
| Guardian Westwood Holdings, LLC       | 1             | -           |
| Guardian LCP Hospitality Finance, LLC | 1             | -           |
|                                       | <u>\$ 28</u>  | <u>\$ 1</u> |

In 2014 and 2013, the Company received net returns of capital of \$45 and \$91 million respectively from its real estate joint ventures. These distributions are a reduction to Other invested assets in the Statutory Basis Balance Sheets.

In 2014 and 2013, the Company also received returns of capital from its subsidiaries as follows which are a reduction to Common and preferred stocks in the Statutory Basis Balance Sheets:

|                                             | <u>2014</u>   | <u>2013</u> |
|---------------------------------------------|---------------|-------------|
|                                             | (In millions) |             |
| Berkshire Life Insurance Company of America | \$ 12         | \$ -        |
| First Commonwealth, Inc.                    | 14            | 5           |
| Innovative Underwriters, Inc.               | -             | 1           |
|                                             | <u>\$ 26</u>  | <u>\$ 6</u> |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

In 2014 and 2013, the Company received the following dividends which are recorded as Net investment income in the Statutory Basis Statements of Operations:

|                                             | <u>2014</u>   | <u>2013</u> |
|---------------------------------------------|---------------|-------------|
|                                             | (In millions) |             |
| Berkshire Life Insurance Company of America | \$ 305        | \$ -        |
| Managed Dental Care of California (“MDC”)   | 2             | 2           |
| Managed Dental Guard of Texas, Inc. (TX)    | 1             | 1           |
| Guardian LEIM, LLC                          | 4             | -           |
| Guardian CapCo, LLC                         | 3             | -           |
| Guardian LCP Hospitality I, LLC             | 8             | -           |
| Guardian LCP Hosp Finance, LLC              | 1             | -           |
|                                             | <u>\$ 324</u> | <u>\$ 3</u> |

The Company has expense sharing agreements with its subsidiaries. During 2014 and 2013, the Company had net billings of \$311 million and \$290 million, respectively, under the expense sharing agreements. Amounts billed to subsidiaries are included in Commissions and operating expenses in the Statutory Basis Statements of Operations. The unpaid net receivable balance due from subsidiaries relevant to these agreements was \$32 million and \$35 million on December 31, 2014 and December 31, 2013, respectively, and are included in Other assets and Other liabilities in the Statutory Basis Balance Sheets.

The Company (Lender) has a revolving line of credit agreement with GIAC (Borrower). Effective May 1, 2014, the revolving line of credit between the Company and GIAC increased from \$100 million to \$225 million. The terms of the credit agreement state that future drawing, if any, (not at the time overdue) shall bear interest at a rate per annum equal to (a) the Prime Rate plus 1.00% if a Prime Rate Loan or (b) the Eurodollar Rate plus 1.00% if a Eurodollar Rate Loan. In the event any drawing on the line of credit becomes due, whether by acceleration or otherwise, it shall bear interest at a rate per annum equal to the Prime Rate plus 2.00%. Additionally, a commitment fee equal to .125% per annum of the amount of this line of credit shall be paid by Borrower to Lender, such amount to be paid in quarterly installments on the last day of each March, June, September and December or on the termination of this line of credit. The line of credit agreement shall have an initial term of 364 days beginning with the date first stated above, and shall automatically renew for successive periods of 364 days, unless the Lender shall notify the Borrower of its intention not to renew the line of credit agreement not less than sixty (60) days prior to the expiration of the then existing term. GIAC is in compliance with certain financial covenants imposed by the line of credit agreement. As of December 31, 2014, and 2013 the amounts of drawings on the line of credit amounted to \$177 million and \$88 million, respectively, and are included in Cash, cash equivalents and short term investments in the Statutory Basis Balance Sheets. Interest income and commitment income of \$1.3 million and \$0.8 million for the twelve months ended December 31, 2014 and 2013, respectively, are included in Net investment income in the Statutory Basis Statements of Operations.

Effective November 1, 2013, the Company (Lender) entered into a revolving line of credit agreement with RS Investment Management Co., LLC (Borrower) for \$12 million. The terms of the credit agreement state that future drawing, if any, (not at the time overdue) shall bear interest at a rate per annum equal to the Prime Rate plus 1.00%. In the event any drawing on the line of credit becomes due, whether by acceleration or otherwise, it shall bear interest at a rate per annum equal to the Prime Rate plus 2.00%. Additionally, a commitment fee equal to .125% per annum of the amount of this line of credit shall be paid by Borrower to Lender, such amount to be paid in quarterly installments on the last day of each March, June, September and December and on the termination of this line of credit. The line of credit agreement has a term of eighteen months beginning with the date first stated above and ending on May 1, 2015. As a part of LOC agreement, RS will furnish Lender with pertinent financial information on an as needed basis. Additionally, the borrower will keep its books and records in accordance with sound business practices, and will comply with all applicable laws, rules, regulations, orders and judgments. As of December 31, 2014, and 2013 the amounts of drawings on the line of credit amounted to \$0 million and \$5 million, respectively, and are included in Cash, cash equivalents and short term investments in the Statutory Basis Balance Sheets. Interest income and commitment income of \$0.1 million and \$0.0 million for the twelve months ended December 31, 2014 and 2013, respectively, are included in Net investment income in the Statutory Basis Statements of Operations.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 11 – RELATED PARTY TRANSACTIONS (CONTINUED)

The Company provides financial guarantees on behalf of some of its subsidiaries and affiliates as listed below. Per the statutory accounting guidance SSAP 5R, a liability has not been recorded on the Company's Statutory Basis Balance Sheets for any of these guarantees.

The Company provided eMoney Advisors, LLC ("eMoney"), a subsidiary, a written letter of financial support in the amount of \$2 million until May 31, 2015. The commitment was made to provide eMoney with the liquidity necessary to ensure continuation of normal operations. On February 2, 2015, the Company announced its agreement to sell its majority stake in eMoney. It is expected that the sale will close during the first quarter of 2015, at which time the letter of financial support will cease.

In 1996, the Company provided MDC, a subsidiary, a written letter of financial support for \$5 million. The letter was necessary for regulatory purposes in order to guarantee additional capital infusion to its California dental subsidiary as needed. The Company funded \$1.5 million to MDC prior to 2012. This amount was recorded as an additional investment in MDC. At this time, MDC is not expected to further draw on the remaining \$3.5 million as the subsidiary has \$4.5 million more capital than is required by California.

As of December 31, 2014, the Company committed to make capital contributions to the following real estate joint venture subsidiaries for the purpose of investing in future properties: Guardian Hospitality Finance, LLC for \$2 million, Guardian LCP Commercial I, LLC for \$23 million, Guardian Capco, LLC for \$12 million, Berkshire Portfolio for \$4 million, Seasons Lynnwood, LLC for \$29 million, Monte Cristo Portfolio for \$22 million, TruAmerica Property, LLC for \$4 million, TruAmerica Property II, LLC for \$7 million. As of December 31, 2013, the Company committed to make capital contributions to the following real estate joint venture subsidiaries for the purpose of investing in future properties: Guardian CapCo, LLC for \$15 million, Guardian LCP Hospitality Finance, LLC for \$4 million, and Guardian LCP Commercial I, LLC for \$24 million.

On February 26, 2013, the Company was granted authority to contribute up to \$125 million of capital to GIAC, over the next 3 years, to fund the continued growth in the variable annuity and fixed annuity platforms, as well as continued investments in the 401k platform. Of the \$56 million and \$93 million in capital contributions received by GIAC from the Company in 2014 and 2013 respectively mentioned earlier, \$40 million and \$85 million was received under this guarantee.

#### **Settlement of Intercompany Transactions:**

In accordance with NAIC SAP, all transactions between related parties are required to have a written agreement that provides for a timely settlement of amounts owed, including a specific due date. Amounts over ninety days due are to be non-admitted along with any uncollected receivable from a related party that is not part of a written agreement. The Company has determined that written agreements are in place for all intercompany transactions and that these written agreements contain specific due dates. As of December 31, 2014, there was an intercompany receivable from eMoney amounting to \$0.2 million that was more than 90 days past due. This balance has been reflected as a non-admitted asset.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 12 – LIABILITY FOR UNPAID CLAIMS AND CLAIM RESERVES

Activity in the liability for unpaid accident and health claims and claim reserves is summarized as follows and is included in Reserves for policy benefits on the Statutory Basis Balance Sheets:

|                                                                                                | <u>2014</u>     | <u>2013</u>     |
|------------------------------------------------------------------------------------------------|-----------------|-----------------|
|                                                                                                | (In millions)   |                 |
| Balance of unpaid claims and claim reserves,<br>net of reinsurance recoverable, at January 1   | \$ 3,094        | \$ 1,256        |
| Incurred related to:                                                                           |                 |                 |
| Current year                                                                                   | 2,005           | 1,825           |
| Prior years                                                                                    | (84)            | 5               |
| Affiliated reinsurance                                                                         | 126             | 1,776           |
| Total incurred                                                                                 | <u>2,047</u>    | <u>3,606</u>    |
| Paid related to:                                                                               |                 |                 |
| Current year                                                                                   | 1,371           | 1,326           |
| Prior years                                                                                    | 265             | 248             |
| Affiliated reinsurance                                                                         | 205             | 194             |
| Total paid                                                                                     | <u>1,841</u>    | <u>1,768</u>    |
| Balance of unpaid claims and claim reserves,<br>net of reinsurance recoverable, at December 31 | \$ <u>3,300</u> | \$ <u>3,094</u> |

The affiliated reinsurance for the year ended December 31, 2013 is primarily due to an intercompany reinsurance agreement between the Company and BLICOA effective January 1, 2013.

#### **Loss / Claim Adjustment Expenses:**

The balance in the liability for unpaid accident and health claim adjustment expenses was \$33 million and \$27 million as of December 31, 2014 and December 31, 2013, respectively. The Company incurred \$35 million and paid \$29 million of claims adjustment expenses in 2014 of which \$6 million of the paid amount was attributable to insured or covered events of prior years. The Company did not increase or decrease the provision for insured events of prior years. Estimated anticipated salvage and subrogation related to the liability for unpaid claims / losses is not material and therefore does not reduce the liability.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 13 – ASO PLANS

The net gain (loss) from operations from ASO uninsured plans and the uninsured portion of partially insured plans was as follows during the years ended December 31, 2014 and December 31, 2013:

|                                                                                                                  | 2014                      |                                                                        |           |
|------------------------------------------------------------------------------------------------------------------|---------------------------|------------------------------------------------------------------------|-----------|
|                                                                                                                  | ASO<br>Uninsured<br>Plans | Uninsured<br>Portion of<br>Partially<br>Insured Plans<br>(In millions) | Total ASO |
| Net reimbursement for administrative expenses<br>(including administrative fees) in excess of actual<br>expenses | \$ 2.2                    | \$ -                                                                   | \$ 2.2    |
| Total net other income or expenses (including<br>interest paid to or received from plans)                        | 0.8                       | -                                                                      | 0.8       |
| Net gain from operations                                                                                         | 1.4                       | -                                                                      | 1.4       |
| Total claim payment volume                                                                                       | 405                       | -                                                                      | 405       |

|                                                                                                                  | 2013                      |                                                                        |           |
|------------------------------------------------------------------------------------------------------------------|---------------------------|------------------------------------------------------------------------|-----------|
|                                                                                                                  | ASO<br>Uninsured<br>Plans | Uninsured<br>Portion of<br>Partially<br>Insured Plans<br>(In millions) | Total ASO |
| Net reimbursement for administrative expenses<br>(including administrative fees) in excess of actual<br>expenses | \$ (1.9)                  | \$ -                                                                   | \$ (1.9)  |
| Total net other income or expenses (including<br>interest paid to or received from plans)                        | (0.7)                     | -                                                                      | (0.7)     |
| Net (loss) from operations                                                                                       | (1.2)                     | -                                                                      | (1.2)     |
| Total claim payment volume                                                                                       | 379                       | -                                                                      | 379       |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 14 – LEASES

#### New York Home Office Building:

In June 1998, the Company executed a 21-year lease for its New York home office facility. The Company may purchase the building on September 30, 2019 by exercising the purchase option between September 30, 2015 and March 31, 2017. The Company, if not exercising the purchase option, may renew the lease term, for all or part of the building, for a 15-year and then a 10-year term. A portion of the property is subleased to tenants under lease terms expiring through 2019. The lease is classified as operating. Rental expense for the property was \$21 million and \$12 million for the years ended December 31, 2014 and December 31, 2013, respectively. Sublease income was \$9 million and \$4 million for the years ended December 31, 2014 and December 31, 2013:

The following is a schedule by year of the minimum rental payments due under the lease.

|                          | (In millions) |
|--------------------------|---------------|
| Year ending December 31, |               |
| 2015                     | \$ 21         |
| 2016                     | 21            |
| 2017                     | 21            |
| 2018                     | 21            |
| 2019                     | 16            |
| Total                    | <u>\$ 100</u> |

The minimum aggregate sublease income is as follows:

|                          |              |
|--------------------------|--------------|
| Year ending December 31, |              |
| 2015                     | \$ 9         |
| 2016                     | 9            |
| 2017                     | 9            |
| 2018                     | 9            |
| 2019                     | 7            |
| Total                    | <u>\$ 43</u> |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 14 – LEASES (CONTINUED)

#### Other Leases:

Substantially all remaining leases of the Company are operating leases principally for the rental of real estate. Rental expense for these properties was \$8 million for year ended December 31, 2014 and \$17 million for the year ended December 31, 2013. The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year:

|                          | (In millions) |
|--------------------------|---------------|
| Year ending December 31, |               |
| 2015                     | \$ 7          |
| 2016                     | 7             |
| 2017                     | 7             |
| 2018                     | 4             |
| 2019                     | 3             |
| Total                    | <u>\$ 28</u>  |

### NOTE 15 – COMMITMENTS

Commitments to fund real estate, private equities, mortgage loans, and private placements in the normal course of business totaled \$977 million and \$938 million as of December 31, 2014 and December 31, 2013, respectively.

### NOTE 16 – LITIGATION

The Company is engaged in various legal actions, in the ordinary course of business, arising out of its insurance, broker-dealer and investment operations. In the opinion of management, any losses together with the ultimate liability resulting from such actions would not have a material adverse effect on the financial position of the Company.

### NOTE 17 – LINES OF CREDIT

The Company has \$75 million in unsecured credit available. The interest rate on these lines is calculated on a base rate such as the bank's Prime rate plus a spread which varies from 0 - 125bps depending on the bank, or LIBOR plus a spread which varies from 75 - 125bps depending on the bank. The Company did not use the lines of credit during 2014 or 2013 and had no outstanding liability at December 31, 2014 or December 31, 2013.



# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 18 – POLICYHOLDERS’ SURPLUS

There were no special contingency reserves included in policyholder’s surplus at December 31, 2014 or December 31, 2013. The Company holds other reserves totaling \$4 million at December 31, 2014 and 2013, as required by New York State law for aviation business and Arkansas permanent surplus requirements. Surplus at December 31, 2014 and December 31, 2013 is as follows:

|                                   | <u>2014</u>            | <u>2013</u>            |
|-----------------------------------|------------------------|------------------------|
|                                   | (In millions)          |                        |
| Accumulated earnings              | \$ 6,768               | \$ 6,093               |
| Unrealized gains - common stock   | 34                     | 55                     |
| Asset valuation reserve           | (754)                  | (686)                  |
| Nonadmitted asset values          | <u>(360)</u>           | <u>(454)</u>           |
| Total unassigned surplus          | 5,688                  | 5,008                  |
| State required segregated surplus | <u>4</u>               | <u>4</u>               |
| Surplus                           | <u><u>\$ 5,692</u></u> | <u><u>\$ 5,012</u></u> |

### NOTE 19 – FINANCIAL INFORMATION

The following reconciles the New York SAP net income and surplus of Guardian as reported to regulatory authorities to consolidated GAAP income and GAAP equity:

|                                                     | <u>2014</u>          | <u>2013</u>          |
|-----------------------------------------------------|----------------------|----------------------|
|                                                     | (In millions)        |                      |
| Statutory net income                                | \$ 712               | \$ 286               |
| Adjustments to GAAP basis:                          |                      |                      |
| Realized capital gains                              | 142                  | 192                  |
| Capitalization of deferred policy acquisition costs | 93                   | 141                  |
| Future policy benefits                              | (961)                | (631)                |
| Elimination of IMR amortization                     | (112)                | (80)                 |
| Establishment of deferred federal income taxes      | (30)                 | (29)                 |
| Service fees                                        | 759                  | 686                  |
| Policyholder dividends                              | 4                    | (12)                 |
| Elimination of interest on affiliate reinsurance    | (138)                | (127)                |
| Other                                               | <u>(33)</u>          | <u>52</u>            |
| Consolidated GAAP income                            | <u><u>\$ 436</u></u> | <u><u>\$ 478</u></u> |

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

### NOTE 19 – FINANCIAL INFORMATION (CONTINUED)

|                                                                    | <u>2014</u>      | <u>2013</u>     |
|--------------------------------------------------------------------|------------------|-----------------|
|                                                                    | (In millions)    |                 |
| Statutory surplus                                                  | \$ 5,692         | \$ 5,012        |
| Adjustments to GAAP basis:                                         |                  |                 |
| Capitalization of deferred policy acquisition costs                | 3,010            | 3,422           |
| Deferred software costs                                            | 55               | 40              |
| Future policy benefits                                             | (6,428)          | (5,751)         |
| Elimination of IMR                                                 | 412              | 387             |
| Elimination of AVR                                                 | 754              | 686             |
| Establishment of additional deferred federal income taxes          | (1,618)          | (1,304)         |
| Policyholder dividends                                             | 368              | 362             |
| Surplus notes                                                      | (845)            | (396)           |
| Unrealized gains on investments and GAAP adjustments of affiliates | <u>9,112</u>     | <u>7,147</u>    |
| Consolidated GAAP equity                                           | <u>\$ 10,512</u> | <u>\$ 9,605</u> |

### NOTE 20 – SURPLUS NOTE

On October 6, 2009, the Company issued Surplus Notes (“Existing Notes”) with a principal balance of \$400 million, bearing interest at 7.375%, and a maturity date of September 30, 2039. Proceeds from the issuance of the Existing Notes were \$392.4 million, net of discounts and fees. The Existing Notes were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and will be administered by The Bank of New York Mellon as fiscal agent. Interest on these Existing Notes is scheduled to be paid semiannually on March 31 and September 30 of each year. The Existing Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York Insurance Law, the Existing Notes are not part of the legal liabilities of the Company. The Existing Notes do not repay principal prior to maturity. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds that the Superintendent determines to be available for such payments under New York Insurance Law. Provided that approval is granted by the Superintendent, the Existing Notes may be redeemed at the option of the Company at any time (in whole or in part) at the “make-whole” redemption price equal to the greater of the principal amount of the Existing Notes to be redeemed, or the sum of the present value of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the Existing Notes are to be redeemed, discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 50 basis points. The Company paid \$30 million in interest for the years ended December 31, 2014 and 2013, respectively.

On June 19, 2014 the Company issued Surplus Notes (“Notes”) with a principal balance of \$450 million, bearing interest at 4.875%, and a maturity date of June 19, 2064. Proceeds from the issuance of the Notes were \$444.6 million, net of discounts and fees. The Notes were issued pursuant to Rule 144A under the Securities Act of 1933, as amended, and will be administered by The Bank of New York Mellon as fiscal agent. Interest on these Notes is scheduled to be paid semiannually on June 19 and December 19 of each year. The Notes are unsecured and subordinated to all present and future indebtedness, policy claims and other creditor claims of the Company. Under New York Insurance Law, the Notes are not part of the legal liabilities of the Company. The Notes do not repay principal prior to maturity. Each payment of interest or principal may be made only with the prior approval of the Superintendent and only out of surplus funds that the Superintendent determines to be available for such payments under New York Insurance Law. Provided that approval is granted by the Superintendent, the Notes may be redeemed at the option of the Company at any time (in whole or in part) at the “make-whole” redemption price equal to the greater of the principal amount of the Notes to be redeemed, or the sum of the present value of the remaining scheduled interest and principal payments, excluding accrued interest as of the date on which the Notes are to be redeemed, discounted to the redemption date on a semi-annual basis at the adjusted treasury rate plus 25 basis points. The Company paid \$11 million in interest for the year ended December 31, 2014.

# The Guardian Life Insurance Company of America

## Notes to Statutory Financial Statements

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### NOTE 21 – UNCLAIMED PROPERTY

The Company holds reserves for potential liability totaling \$18 million at December 31, 2014 and \$9 million at December 31, 2013, respectively. The Company has recorded paid claims of \$3 million in 2014 and \$4 million in 2013.

### NOTE 22 – SUBSEQUENT EVENTS

The Company considers events occurring after the balance sheet date but prior to March 3, 2015, the issuance of the financial statements to be subsequent events requiring disclosure.

The health insurance industry assessment mandated by the Patient Protection and Affordable Care Act of 2010 was levied on health insurers beginning in 2014 based on a ratio of an insurer's net health insurance premiums written for the previous calendar year compared to the total premiums written by U.S. health insurance industry for that year. The Company recorded a liability for the amount of its expected fee as of January 1, 2014 of \$41 million and paid the actual fee amount of \$27 million to the U.S. Treasury in September 2014. The amount of the liability recorded in January was overstated based on industry information which was inaccurate.

On January 1, 2015 the Company will record a liability in the amount of \$35 million for estimated fee to be paid in September 2015. The estimated fee is based on \$1,909 million of dental and vision premium written in 2014.

The Company's Total Adjusted Capital on December 31, 2014 was \$6,885 million and the Authorized Control Level reported on its December 31, 2014 RBC was \$653 million. After adjusting for \$35 million recorded in special surplus that pertains to the estimated 2015 fee the Company's Total Adjusted Capital was \$6,850 and its RBC Authorized Control Level was \$653 million. An RBC action level would not have been triggered had the fee for 2015 been reported as of December 31, 2014.

On February 2, 2015, the Company announced that it had an agreement to sell its majority interest in eMoney Advisor Holdings, LLC ("eMoney"). eMoney, who specializes in providing financial advisors wealth management and client enhancing software solutions for their high net worth clients, was acquired by the Company in 2008. The Company owned 79.751% of eMoney, with a carrying value of \$25.5 million on December 31, 2014. This amount was recorded as part of other invested assets on the Company's balance sheet. The transaction, which is subject to customary closing conditions and regulatory approvals, is expected to close by March 31, 2015.

On January 26, 2015 the Company signed a long-term lease agreement with GLICA Bethlehem, LLC. Under the terms of the lease agreement GLICA Bethlehem, LLC will build an office building in Bethlehem, PA according to specifications provided by the Company. The building will be used by the Company for business support operations. The twenty year lease obligates the Company to pay approximately \$5 million in annual base rent subject to adjustment upon substantial completion of the Tenant work, plus operating expenses and taxes. Rent payments will beginning ninety days after the substantial completion of the building which is expected to be in the second half of 2016.

**Guardian Life Insurance Company of America**  
**Annual Statement for the Year Ended December 31, 2014**  
**Schedule 1 - Selected Financial Data**

The following is a summary of certain financial data included in other exhibits and schedules subjected to audit procedures by independent auditors and utilized by actuaries in the determination of reserves.

|                                                                                  |                         | 2014 Annual Statement<br>References |
|----------------------------------------------------------------------------------|-------------------------|-------------------------------------|
| <b>Investment Income Earned</b>                                                  |                         | Exhibit of Net Investment Income    |
| Government Bonds                                                                 | \$ 34,668,922           |                                     |
| Bonds Exempt From US Tax                                                         |                         |                                     |
| Other Bonds (unaffiliated)                                                       | 1,371,551,628           |                                     |
| Bonds of Affiliates                                                              |                         |                                     |
| Preferred Stocks (unaffiliated)                                                  | 7,396,720               |                                     |
| Preferred Stocks of Affiliates                                                   |                         |                                     |
| Common Stocks (unaffiliated)                                                     | 16,233,642              |                                     |
| Common Stocks of Affiliates                                                      | 326,025,843             |                                     |
| Mortgages Loans                                                                  | 165,444,315             |                                     |
| Real Estate                                                                      | 24,759,804              |                                     |
| Contract Loans                                                                   | 232,115,781             |                                     |
| Cash/Short-term Investments                                                      | 1,492,254               |                                     |
| Other Invested Assets                                                            | 113,631,157             |                                     |
| Derivative Instruments                                                           |                         |                                     |
| Aggregate Write-Ins for Investment Income                                        | <u>(16,286,861)</u>     |                                     |
| Gross Investment Income                                                          | <u>\$ 2,277,033,205</u> |                                     |
| <b>Real Estate Owned - Book Value less Encumbrances</b>                          | <u>\$ 149,243,529</u>   | Schedule A - Part 1                 |
| <b>Mortgage Loans - Book Value:</b>                                              |                         |                                     |
| Farm Mortgages                                                                   | \$ -                    | Schedule B - Part 1                 |
| Residential Mortgages                                                            | -                       |                                     |
| Commercial Mortgages                                                             | <u>3,046,252,939</u>    |                                     |
| Total Mortgage Loans                                                             | <u>\$ 3,046,252,939</u> |                                     |
| <b>Mortgage Loans by Standing - Book Value:</b>                                  |                         |                                     |
| Good Standing                                                                    | <u>3,046,252,939</u>    | Schedule B, Part 1                  |
| Good Standing with Restructured Terms                                            | <u>-</u>                | Schedule B, Part 1                  |
| Interest overdue more than 90 days, not<br>in foreclosure                        | <u>-</u>                | Schedule B, Part 1                  |
| Foreclosure in Process                                                           | <u>-</u>                | Schedule B, Part 1                  |
| <b>Other Long Term Assets - Statement Value</b>                                  | 2,107,712,240           | Schedule BA, Part 1                 |
| <b>Bonds and Stocks of Parents, Subsidiaries and<br/>Affiliates - Book Value</b> |                         | Schedule D - Summary by Country     |
| Bonds                                                                            | <u>29,652,862,367</u>   |                                     |
| Preferred Stocks                                                                 | <u>118,971,852</u>      |                                     |
| Common Stocks                                                                    | <u>1,536,432,702</u>    |                                     |

# Schedule 1 - Selected Financial Data - Continued

2014 Annual Statement

References

## Bonds and Short Term Investments by Class & Maturity

Schedule D, Part 1A Sec 1

### Bonds by Maturity - Statement Value

|                                |                          |
|--------------------------------|--------------------------|
| Due within one year or less    | \$ 1,360,871,898         |
| Over 1 year through 5 years    | 4,768,819,665            |
| Over 5 years through 10 years  | 11,350,599,977           |
| Over 10 years through 20 years | 3,420,316,577            |
| Over 20 years                  | 9,483,761,559            |
| Total by Maturity              | <u>\$ 30,384,369,676</u> |

### Bonds by Class - Statement Value

|                |                          |
|----------------|--------------------------|
| Class 1        | \$ 14,939,302,897        |
| Class 2        | 13,332,315,538           |
| Class 3        | 1,075,190,348            |
| Class 4        | 947,907,532              |
| Class 5        | 89,653,361               |
| Class 6        | -                        |
| Total by Class | <u>\$ 30,384,369,676</u> |

### Total Bonds Publicly Traded

20,325,663,241

### Total Bonds Privately Placed

10,058,706,435

### Preferred Stocks - Statement Value

118,971,852

### Common Stocks - Market Value

1,536,432,704

### Short Term Investments - Book Value

374,012,857

### Options, Caps Floors, Collars, Swaps and Forwards

12,202,732

### Futures Contracts

4,372,480

### Cash on Deposit

33,065,160

### Life Insurance In Force

|             |             |
|-------------|-------------|
| Industrial  | -           |
| Ordinary    | 189,518,498 |
| Credit Life | -           |
| Group Life  | 199,500,416 |

### Amount of Accidental Death Insurance In Force Under

|                   |                  |
|-------------------|------------------|
| Ordinary Policies | <u>1,040,709</u> |
|-------------------|------------------|

### Life Insurance Policies with Disability Provisions In Force

|             |             |
|-------------|-------------|
| Industrial  | -           |
| Ordinary    | 167,643,702 |
| Credit Life | -           |
| Group Life  | 199,394,598 |

### Supplementary Contracts In Force

|                                             |               |
|---------------------------------------------|---------------|
| Ordinary - Not Involving Life Contingencies | -             |
| Amount on Deposit                           | 206,068,452   |
| Income Payable                              | <u>17,641</u> |

### Ordinary - Involving Life Contingencies

|                |            |
|----------------|------------|
| Income Payable | <u>452</u> |
|----------------|------------|

Schedule D, Part 2, Sec. 1

Schedule D, Part 2, Sec. 2

Schedule DA, Part 1

Schedule DB, Part A,

Schedule DB, Part B,

Schedule E, Part 1

Exhibit of Life Insurance

Exhibit of Life Insurance

Exhibit of Life Insurance

Exhibit of Number of Policies,  
Contracts, Certificates, Income Payable,  
Account Values In Force for Supplementary  
Contracts, Annuities, A&H and Other Policies

# Schedule 1 - Selected Financial Data - Continued

|                                                          |               | 2014 Annual Statement<br>References          |
|----------------------------------------------------------|---------------|----------------------------------------------|
| Group - Not Involving Life Contingencies                 |               |                                              |
| Amount on Deposit                                        | 53,527,535    |                                              |
| Income Payable                                           | -             |                                              |
| Group - Involving Life Contingencies                     |               |                                              |
| Amount on Deposit                                        | -             |                                              |
| Income Payable                                           | -             |                                              |
| <b>Annuities - Ordinary</b>                              |               | Exhibit of Number of Policies,               |
| Immediate - Amount of Income Payable                     | 699,669       | Contracts,Certificates,Income Payable,       |
| Deferred - Fully Paid Account Balance                    | 51,072,397    | Account Values In Force for Supplementary    |
| Deferred - Not Fully Paid - Account Balance              | 165,712,975   | Contracts, Annuities, A&H and Other Policies |
| <b>Annuities - Group</b>                                 |               | Exhibit of Number of Policies,               |
| Amount of Income Payable                                 | 1,897,829     | Contracts,Certificates,Income Payable,       |
| Fully Paid Account Balance                               | 9,949,068     | Account Values In Force for Supplementary    |
| Not Fully Paid - Account Balance                         | -             | Contracts, Annuities, A&H and Other Policies |
| <b>Accident and Health Insurance - Premiums In Force</b> |               |                                              |
| Ordinary                                                 | -             |                                              |
| Group                                                    | 2,607,074,318 |                                              |
| Credit                                                   | -             |                                              |
| Other                                                    | 439,102,825   |                                              |
| <b>Deposit Funds and Dividend Accumulations</b>          |               | Exhibit of Number of Policies,               |
| Deposit Funds - Account Balance                          | 28,882,534    | Contracts,Certificates,Income Payable,       |
| Dividend Accumulations - Account Balance                 | 106,352,190   | Account Values In Force for Supplementary    |
| <b>Claim Payments 2014</b>                               |               | Contracts, Annuities, A&H and Other Policies |
| Group Accident and Health Year - Ended December 31, 2012 |               | Schedule O, Part 1                           |
| 2014                                                     | 1,368,774     | Section A                                    |
| 2013                                                     | 1,479,596     |                                              |
| 2012                                                     | 1,436,825     |                                              |
| 2011                                                     | 1,574,764     |                                              |
| 2010                                                     | 1,733,969     |                                              |
| Prior                                                    | 597,917       |                                              |
| Other Accident & Health                                  |               | Section B                                    |
| 2014                                                     | 23,088        |                                              |
| 2013                                                     | 26,880        |                                              |
| 2012                                                     | 23,660        |                                              |
| 2011                                                     | 19,921        |                                              |
| 2010                                                     | 21,313        |                                              |
| Prior                                                    | 110,291       |                                              |
| Credit Accident & Health                                 |               | Section C                                    |
| 2014                                                     | -             |                                              |
| 2013                                                     | -             |                                              |
| 2012                                                     | -             |                                              |
| 2011                                                     | -             |                                              |
| 2010                                                     | -             |                                              |
| Prior                                                    | -             |                                              |

# Schedule 1 - Selected Financial Data - Continued

2014 Annual Statement

References

Other Coverages that use developmental methods to calculate

Claims Reserves:

Section D

|       |   |
|-------|---|
| 2014  | - |
| 2013  | - |
| 2012  | - |
| 2011  | - |
| 2010  | - |
| Prior | - |

Other Coverages that use developmental methods to calculate

Claims Reserves:

Section E

|       |   |
|-------|---|
| 2014  | - |
| 2013  | - |
| 2012  | - |
| 2011  | - |
| 2010  | - |
| Prior | - |

Other Coverages that use developmental methods to calculate

Claims Reserves:

Section F

|       |   |
|-------|---|
| 2014  | - |
| 2013  | - |
| 2012  | - |
| 2011  | - |
| 2010  | - |
| Prior | - |

Other Coverages that use developmental methods to calculate

Claims Reserves:

Section G

|       |   |
|-------|---|
| 2014  | - |
| 2013  | - |
| 2012  | - |
| 2011  | - |
| 2010  | - |
| Prior | - |

**The Guardian Life Insurance Company of America**  
**Investments of Reporting Entities**  
**December 31, 2014**

**Section 2 Investment Risk Interrogatories**

Answer the following interrogatories by stating the applicable U.S dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of the annual statement.  
\$45,297,378,336

2. Ten largest exposures to a single issuer/borrower/investment.

|      | Issuer                                 | Description of Exposure | Amount         | Percentage of Total Admitted Assets |
|------|----------------------------------------|-------------------------|----------------|-------------------------------------|
| 2.01 | GUARDIAN INVESTOR SERVICES             | OTHER INVESTED ASSET    | \$ 544,538,640 | 1.2%                                |
| 2.02 | FIRST COMMON WEALTH INSURANCE CO       | STOCK                   | \$ 425,178,941 | 0.9%                                |
| 2.03 | BERKSHIRE LIFE INSURANCE CO OF AMERICA | STOCK                   | \$ 269,462,502 | 0.6%                                |
| 2.04 | GUARDIAN INS & ANNUITY CO NY, NY       | STOCK                   | \$ 227,184,821 | 0.5%                                |
| 2.05 | GOLDMAN SACHS GROUP INC                | BOND/STOCK              | \$ 202,653,979 | 0.4%                                |
| 2.06 | MORGAN STANLEY                         | BOND/STOCK              | \$ 201,397,421 | 0.4%                                |
| 2.07 | VERIZON COMMUNICATIONS                 | BOND/STOCK              | \$ 192,179,758 | 0.4%                                |
| 2.08 | CITIGROUP INC                          | BOND/STOCK              | \$ 190,591,972 | 0.4%                                |
| 2.09 | HISTORIC TW INC                        | BOND/STOCK              | \$ 189,806,603 | 0.4%                                |
| 2.10 | BANK OF AMERICA CORP                   | BOND/STOCK              | \$ 173,820,271 | 0.4%                                |

3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating:

|      | Bonds  | Amount            | % of Total Admitted Assets | Preferred Stocks | Amount        | % of Total Admitted Assets |
|------|--------|-------------------|----------------------------|------------------|---------------|----------------------------|
| 3.01 | NAIC-1 | \$ 14,939,302,897 | 33.0%                      | P/RP-1           | \$ 13,756,545 | 0.0%                       |
| 3.02 | NAIC-2 | \$ 13,332,315,538 | 29.4%                      | P/RP-2           | \$ 37,103,881 | 0.1%                       |
| 3.03 | NAIC-3 | \$ 1,075,190,348  | 2.4%                       | P/RP-3           | \$ 51,474,375 | 0.1%                       |
| 3.04 | NAIC-4 | \$ 947,907,532    | 2.1%                       | P/RP-4           | \$ 16,637,052 | 0.0%                       |
| 3.05 | NAIC-5 | \$ 89,653,361     | 0.2%                       | P/RP-5           | \$            | 0.0%                       |
| 3.06 | NAIC-6 | \$                | 0.0%                       | P/RP-6           | \$            | 0.0%                       |

4. Assets held in foreign investments:

- 4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?

Yes [ ] No [X]

If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

|      |                                                                 |                  |       |
|------|-----------------------------------------------------------------|------------------|-------|
| 4.02 | Total admitted assets held in foreign investments               | \$ 6,608,444,546 | 14.6% |
| 4.03 | Foreign-currency-denominated investments                        | \$ 552,967,126   | 1.2%  |
| 4.04 | Insurance liabilities denominated in that same foreign currency | \$ -             | 0.0%  |



5. Aggregate foreign investment exposure categorized by NAIC sovereign rating:

|                                      | 1                | 2     |
|--------------------------------------|------------------|-------|
| 5.01 Countries rated NAIC-1          | \$ 5,796,276,609 | 12.8% |
| 5.02 Countries rated NAIC-2          | \$ 745,543,121   | 1.6%  |
| 5.03 Countries rated NAIC-3 or below | \$ 66,624,816    | 0.1%  |

6. Largest foreign investment exposures to a single country, categorized by NAIC sovereign rating:

|                                 | 1                | 2    |
|---------------------------------|------------------|------|
| Countries rated NAIC-1          |                  |      |
| 6.01 Country: Great Britain     | \$ 1,818,044,847 | 4.0% |
| 6.02 Country: Australia         | \$ 957,396,440   | 2.1% |
| Countries rated NAIC-2:         |                  |      |
| 6.03 Country: Mexico            | \$ 380,504,012   | 0.8% |
| 6.04 Country: Spain             | \$ 92,710,161    | 0.2% |
| Countries rated NAIC-3 or below |                  |      |
| 6.05 Country: Turks & Caicos    | \$ 17,000,000    | 0.0% |
| 6.06 Country: Portugal          | \$ 9,361,028     | 0.0% |

7. Aggregate unhedged foreign currency exposure: \$ - 0.0%

8. Aggregate unhedged foreign currency exposure categorized by the country's NAIC sovereign rating:

|                                      | 1    | 2    |
|--------------------------------------|------|------|
| 8.01 Countries rated NAIC-1          | \$   | 0.0% |
| 8.02 Countries rated NAIC-2          | \$   | 0.0% |
| 8.03 Countries rated NAIC-3 or below | \$ - | 0.0% |

9. Largest unhedged foreign currency exposures to a single country, categorized by the country's NAIC sovereign rating:

|                                 | 1    | 2    |
|---------------------------------|------|------|
| Countries rated NAIC-1:         |      |      |
| 9.01 Country: Germany           | \$   | 0.0% |
| 9.02 Country: Great Britain     | \$   | 0.0% |
| Countries rated NAIC-2:         |      |      |
| 9.03 Country: Italy             | \$   | 0.0% |
| 9.04 Country: Mexico            | \$   | 0.0% |
| Countries rated NAIC-3 or below |      |      |
| 9.05 Country:                   | \$ - | 0.0% |
| 9.06 Country:                   | \$ - | 0.0% |

10. Ten largest non-sovereign (i.e. non-governmental) foreign issues:

|       | Issuer                   | NAIC |    | 3          | 4    |
|-------|--------------------------|------|----|------------|------|
| 10.01 | RABOBANK NEDERLAND       | 1FE  | \$ | 55,467,459 | 0.1% |
| 10.02 | BHP BILLITON FIN USA LTD | 1FE  | \$ | 52,723,696 | 0.1% |
| 10.03 | HS1 LIMITED              | 1FE  | \$ | 50,000,000 | 0.1% |
| 10.04 | CREDIT SUISSE NEW YORK   | 2FE  | \$ | 41,177,264 | 0.1% |
| 10.05 | WILLIS GROUP HOLDING PLC | 2FE  | \$ | 39,083,310 | 0.1% |
| 10.06 | STANDARD CHARTERED PLC   | 1FE  | \$ | 38,582,436 | 0.1% |
| 10.07 | PERNOD-RICARD SA         | 2FE  | \$ | 36,620,955 | 0.1% |
| 10.08 | DEUTSCHE TELEKOM INT FIN | 2FE  | \$ | 36,537,992 | 0.1% |
| 10.09 | VODAFONE GROUP PLC       | 2FE  | \$ | 36,115,586 | 0.1% |
| 10.10 | PETROBRAS GLOBAL FINANCE | 2FE  | \$ | 36,088,222 | 0.1% |

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure.

11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?  
Yes ☐ No ☒

If response to 11.01 is yes, detail is not required for the remainder of interrogatory 11

|       |                                                    |    |   |      |
|-------|----------------------------------------------------|----|---|------|
| 11.02 | Total admitted assets held in Canadian investments | \$ | - | 0.0% |
| 11.03 | Canadian-currency-denominated investments          | \$ | - | 0.0% |
| 11.04 | Canadian-denominated insurance liabilities         | \$ | - | 0.0% |
| 11.05 | Unhedged Canadian currency exposure                | \$ | - | 0.0% |

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.

12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?  
Yes ☒ No ☐

If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.

|       | 1                                                                            | 2 | 3    |
|-------|------------------------------------------------------------------------------|---|------|
| 12.02 | Aggregate statement value of investments with contractual sales restrictions |   |      |
|       | Largest three investments with contractual sales restrictions:               |   |      |
|       | \$                                                                           | - | 0.0% |
| 12.03 | \$                                                                           | - | 0.0% |
| 12.04 | \$                                                                           | - | 0.0% |
| 12.05 | \$                                                                           | - | 0.0% |

13. Amounts and percentages of admitted assets held in the largest ten equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets?

Yes ☐ No ☒

If response to 13.01 is yes, responses are not required for the remainder of Interrogatory 13.

|       | 1<br>Name of Issuer                    | 2              | 3    |
|-------|----------------------------------------|----------------|------|
| 13.02 | FIRST COMMON WEALTH INSURANCE COMPANY  | \$ 425,178,941 | 0.9% |
| 13.03 | BERKSHIRE LIFE INSURANCE CO OF AMERICA | \$ 269,462,502 | 0.6% |
| 13.04 | GUARDIAN INS & ANNUITY CO NY, NY       | \$ 227,184,821 | 0.5% |
| 13.05 | RS INVESTMENTS                         | \$ 120,966,506 | 0.3% |
| 13.06 | RS INVESTMENTS GROWTH FUND             | \$ 83,328,157  | 0.2% |
| 13.07 | PARK AVENUE LIFE INSURANCE COMPANY     | \$ 75,689,763  | 0.2% |
| 13.08 | ISHARES                                | \$ 57,626,031  | 0.1% |
| 13.09 | POWERSHARES DB                         | \$ 35,521,125  | 0.1% |
| 13.10 | RS EMERGING MARKETS FUNDS              | \$ 25,772,500  | 0.1% |
| 13.11 | ISHARES MSCI EMERGING MKT              | \$ 25,310,382  | 0.1% |

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01. Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?

Yes ☒ No ☐

If response to 14.01 is yes, responses are not required for the remainder of Interrogatory 14.

|       | 1                                                                                                                                                                     | 2    | 3    |
|-------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|------|
| 14.02 | Aggregate statement value of investments held in nonaffiliated, privately placed equities Largest three investments held in nonaffiliated, privately placed equities: | \$ - | 0.0% |
| 14.03 |                                                                                                                                                                       | \$ - | 0.0% |
| 14.04 |                                                                                                                                                                       | \$ - | 0.0% |
| 14.05 |                                                                                                                                                                       | \$ - | 0.0% |

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets?

Yes ☒ No ☐

If response to 15.01 is yes, responses are not required for the remainder of Interrogatory 15.

|       | 1 | 2  | 3    |
|-------|---|----|------|
| 15.02 |   | \$ | 0.0% |
| 15.03 |   | \$ | 0.0% |
| 15.04 |   | \$ | 0.0% |
| 15.05 |   | \$ | 0.0% |

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets?

Yes ☐ No ☒

If response to 16.01 is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

|       | Type (Residential, Commercial, Agriculture) | 2              | 3    |
|-------|---------------------------------------------|----------------|------|
| 16.02 | COMMERCIAL                                  | \$ 110,750,000 | 0.2% |
| 16.03 | COMMERCIAL                                  | \$ 87,304,299  | 0.2% |
| 16.04 | COMMERCIAL                                  | \$ 74,252,631  | 0.2% |
| 16.05 | COMMERCIAL                                  | \$ 73,056,506  | 0.2% |
| 16.06 | COMMERCIAL                                  | \$ 71,749,559  | 0.2% |
| 16.07 | COMMERCIAL                                  | \$ 61,017,456  | 0.1% |
| 16.08 | COMMERCIAL                                  | \$ 59,246,225  | 0.1% |
| 16.09 | COMMERCIAL                                  | \$ 55,273,346  | 0.1% |
| 16.10 | COMMERCIAL                                  | \$ 53,183,592  | 0.1% |
| 16.11 | COMMERCIAL                                  | \$ 52,923,637  | 0.1% |

Amount and percentages of the reporting entity's total admitted assets held in the following categories of mortgage loans:

|       |                                              | Loans          |      |
|-------|----------------------------------------------|----------------|------|
| 16.12 | Construction Loans                           | \$ 285,200,341 | 0.6% |
| 16.13 | Mortgage loans over 90 days past due         | \$ -           | 0.0% |
| 16.14 | Mortgage loans in the process of foreclosure | \$ -           | 0.0% |
| 16.15 | Mortgage loans foreclosed                    | \$ -           | 0.0% |
| 16.16 | Restructured mortgage loans                  | \$ -           | 0.0% |

17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as

|       | Loan-to-Value | Residential |      | Commercial       |      | Agriculture |      |
|-------|---------------|-------------|------|------------------|------|-------------|------|
|       |               | 1           | 2    | 3                | 4    | 5           | 6    |
| 17.01 | above 95%     | \$ -        | 0.0% | \$ -             | 0.0% | \$ -        | 0.0% |
| 17.02 | 91% to 95%    | \$ -        | 0.0% | \$ 60,552,521    | 0.1% | \$ -        | 0.0% |
| 17.03 | 81% to 90%    | \$ -        | 0.0% | \$ 13,660,898    | 0.0% | \$ -        | 0.0% |
| 17.04 | 71% to 80%    | \$ -        | 0.0% | \$ 31,425,335    | 0.1% | \$ -        | 0.0% |
| 17.05 | below 70%     | \$ -        | 0.0% | \$ 2,940,614,185 | 6.5% | \$ -        | 0.0% |

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:

18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets?

Yes ☒ No ☐

If response to 18.01. is yes, responses are not required for the remainder of Interrogatory 18

Largest five investments in any one parcel or group of contiguous parcels of real estate.

|       | Description | 1    | 2 | 3    |
|-------|-------------|------|---|------|
| 18.02 |             | \$ - | - | 0.0% |
| 18.03 |             | \$ - | - | 0.0% |
| 18.04 |             | \$ - | - | 0.0% |
| 18.05 |             | \$ - | - | 0.0% |
| 18.06 |             | \$ - | - | 0.0% |

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:

19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets?

Yes ☒ No ☐

If response to 19.01 above is yes, responses are not required for the remainder of Interrogatory 19.

|                                                                                     | <u>1</u> | <u>2</u> | <u>3</u> |
|-------------------------------------------------------------------------------------|----------|----------|----------|
| 19.02 Aggregate statement value of investments held in mezzanine real estate loans: |          |          |          |
| Largest three investments held in mezzanine real estate loans:                      |          |          |          |
| 19.03                                                                               | \$ -     | -        | 0.0%     |
| 19.04                                                                               | \$ -     | -        | 0.0%     |
| 19.05                                                                               | \$ -     | -        | 0.0%     |

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

|                                                                                           | <u>At Year-end</u> |          | <u>1st Qtr</u> | <u>At End of Each Quarter</u> |               | <u>3rd Quarter</u> |
|-------------------------------------------------------------------------------------------|--------------------|----------|----------------|-------------------------------|---------------|--------------------|
|                                                                                           | <u>1</u>           | <u>2</u> | <u>3</u>       | <u>2nd Quarter</u>            | <u>4</u>      | <u>5</u>           |
| 20.01 Securities lending (do not include assets held as collateral for such transactions) | \$ -               | 0.0%     | \$ -           | \$ -                          | \$ -          | \$ -               |
| 20.02 Repurchase agreements                                                               | \$ 5,000,000       | 0.0%     | \$ 75,000,000  | \$ 4,000,000                  | \$ -          | \$ -               |
| 20.03 Reverse repurchase agreements                                                       | \$ -               | 0.0%     | \$ -           | \$ -                          | \$ -          | \$ -               |
| 20.04 Dollar repurchase agreements                                                        | \$ -               | 0.0%     | \$ 95,036,302  | \$ 86,895,987                 | \$ 97,327,346 | \$ -               |
| 20.05 Dollar reverse repurchase agreements                                                | \$ -               | 0.0%     | \$ -           | \$ -                          | \$ -          | \$ -               |

21. Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floor:

|                         | <u>Owned</u> |          | <u>Written</u> |          |
|-------------------------|--------------|----------|----------------|----------|
|                         | <u>1</u>     | <u>2</u> | <u>3</u>       | <u>4</u> |
| 21.01 Hedge             | \$ -         | 0.0%     | \$ -           | 0.0%     |
| 21.02 Income generation | \$ -         | 0.0%     | \$ -           | 0.0%     |
| 21.03 Other             | \$ -         | 0.0%     | \$ -           | 0.0%     |

22. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards:

|                         | <u>At Year-end</u> |          | <u>1st Qtr</u> | <u>At End of Each Quarter</u> |            | <u>3rd Qtr</u> |
|-------------------------|--------------------|----------|----------------|-------------------------------|------------|----------------|
|                         | <u>1</u>           | <u>2</u> | <u>3</u>       | <u>2nd Qtr</u>                | <u>4</u>   | <u>5</u>       |
| 22.01 Hedging           | \$ 2,134,439       | 0.0%     | \$ 80,852      | \$ -                          | \$ 412,406 | \$ -           |
| 22.02 Income generation | \$ -               | 0.0%     | \$ -           | \$ -                          | \$ -       | \$ -           |
| 22.03 Replications      | \$ -               | 0.0%     | \$ -           | \$ -                          | \$ -       | \$ -           |
| 22.04 Other             | \$ -               | 0.0%     | \$ -           | \$ -                          | \$ -       | \$ -           |

23. Amounts and percentages of the reporting entity's total admitted assets of potential exposure for future contracts:

|                         | <u>At Year-end</u> |          | <u>At End of Each Quarter</u> |                    |                    |
|-------------------------|--------------------|----------|-------------------------------|--------------------|--------------------|
|                         | <u>1</u>           | <u>2</u> | <u>1st Quarter</u>            | <u>2nd Quarter</u> | <u>3rd Quarter</u> |
|                         | <u>1</u>           | <u>2</u> | <u>3</u>                      | <u>4</u>           | <u>5</u>           |
| 23.01 Hedging           | \$ 11,080,300      | 0.0%     | \$ 11,075,735                 | \$ 11,103,050      | \$ 11,717,750      |
| 23.02 Income generation | \$ -               | 0.0%     | \$ -                          | \$ -               | \$ -               |
| 23.03 Replications      | \$ -               | 0.0%     | \$ -                          | \$ -               | \$ -               |
| 23.04 Other             | \$ -               | 0.0%     | \$ -                          | \$ -               | \$ -               |

**THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA**  
**As of December 31, 2014**

**Appendix A-001**

**Section 3. Summary Investment Schedule**

| Investment Categories                                                                                                                             | Gross Investment Holdings* |                | Admitted Assets as Reported in the Annual Statement |                                                 |                           |                |
|---------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|----------------|-----------------------------------------------------|-------------------------------------------------|---------------------------|----------------|
|                                                                                                                                                   | Amount                     | Percentage     | Amount                                              | Securities Lending Reinvested Collateral Amount | Total (Col. 3 + 4) Amount | Percentage     |
|                                                                                                                                                   |                            |                |                                                     | Amount                                          | Amount                    |                |
| 1. Bonds:                                                                                                                                         |                            |                |                                                     |                                                 |                           |                |
| 1.1 US Treasury Securities                                                                                                                        | \$ 1,297,149,235           | 3.468%         | \$ 1,297,149,235                                    |                                                 | \$ 1,297,149,235          | 3.192%         |
| 1.2 US Government agency and corporate obligations (excluding mortgage-backed securities):                                                        |                            |                |                                                     |                                                 |                           |                |
| 1.21 Issued by US Government Agencies                                                                                                             | 16,421,642                 | 0.044%         | 16,421,642                                          |                                                 | 16,421,642                | 0.040%         |
| 1.22 Issued by US Government-sponsored agencies                                                                                                   | -                          | 0.00%          | -                                                   |                                                 | -                         | 0.000%         |
| 1.3 Non-U.S. government (including Canada, excluding mortgage-backed securities)                                                                  | 526,436,170                | 1.407%         | 526,436,170                                         |                                                 | 526,436,170               | 1.296%         |
| 1.4 Securities issued by states, territories and possessions and political subdivisions in the US:                                                |                            |                |                                                     |                                                 |                           |                |
| 1.41 States, territories and possessions general obligations                                                                                      | 424,315,295                | 1.134%         | 424,315,295                                         |                                                 | 424,315,295               | 1.044%         |
| 1.42 Political subdivisions of states, territories and possessions political subdivisions general obligations                                     | 277,202,484                | 0.741%         | 277,202,484                                         |                                                 | 277,202,484               | 0.682%         |
| 1.43 Revenue and assessment obligations                                                                                                           | 1,431,759,269              | 3.827%         | 1,431,759,269                                       |                                                 | 1,431,759,269             | 3.524%         |
| 1.44 Industrial development and similar obligations                                                                                               | 6,105,950                  | 0.016%         | 6,105,950                                           |                                                 | 6,105,950                 | 0.015%         |
| 1.5 Mortgage-backed securities (includes residential and commercial MBS):                                                                         |                            |                |                                                     |                                                 |                           |                |
| 1.51 Pass-through securities:                                                                                                                     |                            |                |                                                     |                                                 |                           |                |
| 1.511 Issued or guaranteed by GNMA                                                                                                                |                            | 0.00%          |                                                     |                                                 | -                         | 0.00%          |
| 1.512 Issued or guaranteed by FNMA and FHLMC                                                                                                      |                            | 0.00%          |                                                     |                                                 | -                         | 0.00%          |
| 1.513 All other                                                                                                                                   | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.000%         |
| 1.52 CMOs and REMICs:                                                                                                                             |                            |                |                                                     |                                                 |                           |                |
| 1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA                                                                                             |                            | 0.000%         |                                                     |                                                 | -                         | 0.000%         |
| 1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521 | 52,089,421                 | 0.139%         | 52,089,421                                          |                                                 | 52,089,421                | 0.128%         |
| 1.523 All other                                                                                                                                   | 920,020,948                | 2.459%         | 920,020,948                                         |                                                 | 920,020,948               | 2.264%         |
| 2. Other debt and other fixed income securities (excluding short term):                                                                           |                            |                |                                                     |                                                 |                           |                |
| 2.1 Unaffiliated domestic securities (includes credit tenant loans and hybrid securities)                                                         | 17,826,179,245             | 47.654%        | 17,826,179,245                                      |                                                 | 17,826,179,245            | 43.870%        |
| 2.2 Unaffiliated non-U.S. securities (including Canada)                                                                                           | 6,875,182,681              | 18.379%        | 6,875,182,681                                       |                                                 | 6,875,182,681             | 16.920%        |
| 2.3 Affiliated securities                                                                                                                         | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.000%         |
| 3. Equity interests:                                                                                                                              |                            |                |                                                     |                                                 |                           |                |
| 3.1 Investments in mutual funds                                                                                                                   | 230,067,159                | 0.615%         | 230,067,159                                         |                                                 | 230,067,159               | 0.566%         |
| 3.2 Preferred stocks:                                                                                                                             |                            |                |                                                     |                                                 |                           |                |
| 3.21 Affiliated                                                                                                                                   | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.00%          |
| 3.22 Unaffiliated                                                                                                                                 | 118,971,853                | 0.318%         | 118,971,853                                         |                                                 | 118,971,853               | 0.293%         |
| 3.3 Publicly traded equity securities (excluding preferred stocks):                                                                               |                            |                |                                                     |                                                 |                           |                |
| 3.31 Affiliated                                                                                                                                   | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.000%         |
| 3.32 Unaffiliated                                                                                                                                 | 293,992,667                | 0.786%         | 293,992,667                                         |                                                 | 293,992,667               | 0.724%         |
| 3.4 Other equity securities:                                                                                                                      |                            |                |                                                     |                                                 |                           |                |
| 3.41 Affiliated                                                                                                                                   | 1,006,229,247              | 2.690%         | 1,006,229,247                                       |                                                 | 1,006,229,247             | 2.476%         |
| 3.42 Unaffiliated                                                                                                                                 | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.000%         |
| 3.5 Other equity interests including tangible personal property under lease:                                                                      |                            |                |                                                     |                                                 |                           |                |
| 3.51 Affiliated                                                                                                                                   | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.000%         |
| 3.52 Unaffiliated                                                                                                                                 | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.000%         |
| 4. Mortgage loans:                                                                                                                                |                            |                |                                                     |                                                 |                           |                |
| 4.1 Construction and land development                                                                                                             | 285,200,341                | 0.762%         | 285,200,341                                         |                                                 | 285,200,341               | 0.702%         |
| 4.2 Agricultural                                                                                                                                  | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.000%         |
| 4.3 Single family residential properties                                                                                                          | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.00%          |
| 4.4 Multifamily residential properties                                                                                                            | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.000%         |
| 4.5 Commercial loans                                                                                                                              | 2,698,575,768              | 7.214%         | 2,698,575,768                                       |                                                 | 2,698,575,768             | 6.641%         |
| 4.6 Mezzanine real estate loans                                                                                                                   | 62,476,829                 | 0.167%         | 62,476,829                                          |                                                 | 62,476,829                | 0.154%         |
| 5. Real Estate Investments:                                                                                                                       |                            |                |                                                     |                                                 |                           |                |
| 5.1 Property occupied by company                                                                                                                  | 19,100,810                 | 0.051%         | 19,100,810                                          |                                                 | 19,100,810                | 0.047%         |
| 5.2 Property held for production of income (includes \$0 of property acquired in satisfaction of debt)                                            | 130,142,720                | 0.348%         | 130,142,720                                         |                                                 | 130,142,720               | 0.320%         |
| 5.3 Property held for sale (\$0 including property acquired in the satisfaction of debt)                                                          | -                          | 0.000%         | -                                                   |                                                 | -                         | 0.000%         |
| 6. Contract loans                                                                                                                                 |                            |                | 3,231,443,187                                       |                                                 | 3,231,443,187             | 7.952%         |
| 7. Derivatives                                                                                                                                    | 12,319,039                 | 0.033%         | 12,319,039                                          |                                                 | 12,319,039                | 0.030%         |
| 8. Receivables for securities                                                                                                                     | 1,431,181                  | 0.004%         | 1,431,181                                           |                                                 | 1,431,181                 | 0.004%         |
| 9. Securities Lending (Line 10, Asset Page reinvested collateral)                                                                                 | -                          | 0.000%         | -                                                   |                                                 | -                         |                |
| 10. Cash and short-term investments                                                                                                               | 764,572,469                | 2.044%         | 764,572,469                                         |                                                 | 764,572,469               | 1.882%         |
| 11. Other invested assets                                                                                                                         | 2,131,689,035              | 5.699%         | 2,127,075,591                                       |                                                 | 2,127,075,591             | 5.235%         |
| <b>12. Total Invested Assets</b>                                                                                                                  | <b>\$ 37,407,631,458</b>   | <b>100.00%</b> | <b>\$ 40,634,461,201</b>                            |                                                 | <b>\$ 40,634,461,201</b>  | <b>100.00%</b> |

\* Gross Investment Holdings as valued in compliance with NAIC Accounting Practices & Procedures Manual



LIFE AND ACCIDENT AND HEALTH COMPANIES - ASSOCIATION EDITION

QUARTERLY STATEMENT  
AS OF SEPTEMBER 30, 2016  
OF THE CONDITION AND AFFAIRS OF THE  
GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

|                                       |                                                                            |                 |                                                                            |       |                      |            |
|---------------------------------------|----------------------------------------------------------------------------|-----------------|----------------------------------------------------------------------------|-------|----------------------|------------|
| NAIC Group Code                       | 0429<br>(Current)                                                          | 0429<br>(Prior) | NAIC Company Code                                                          | 64246 | Employer's ID Number | 13-5123390 |
| Organized under the Laws of           | New York                                                                   |                 | State of Domicile or Port of Entry                                         |       | New York             |            |
| Country of Domicile                   | US                                                                         |                 |                                                                            |       |                      |            |
| Incorporated/Organized                | 04/10/1860                                                                 |                 | Commenced Business                                                         |       | 07/16/1860           |            |
| Statutory Home Office                 | 7 Hanover Square<br>(Street and Number)                                    |                 | New York, NY, US 10004-4025<br>(City or Town, State, Country and Zip Code) |       |                      |            |
| Main Administrative Office            | 7 Hanover Square<br>(Street and Number)                                    |                 | 212-598-8000<br>(Area Code) (Telephone Number)                             |       |                      |            |
|                                       | New York, NY, US 10004-4025<br>(City or Town, State, Country and Zip Code) |                 | 212-598-8000<br>(Area Code) (Telephone Number)                             |       |                      |            |
| Mail Address                          | 7 Hanover Square<br>(Street and Number or P.O. Box)                        |                 | New York, NY, US 10004-4025<br>(City or Town, State, Country and Zip Code) |       |                      |            |
| Primary Location of Books and Records | 7 Hanover Square<br>(Street and Number)                                    |                 | 212-598-8829<br>(Area Code) (Telephone Number)                             |       |                      |            |
|                                       | New York, NY, US 10004-4025<br>(City or Town, State, Country and Zip Code) |                 | 212-598-8829<br>(Area Code) (Telephone Number)                             |       |                      |            |
| Internet Website Address              | www.GuardianLife.com                                                       |                 |                                                                            |       |                      |            |
| Statutory Statement Contact           | Haydn Phillip Padmore<br>(Name)                                            |                 | 212-598-8829<br>(Area Code) (Telephone Number)                             |       |                      |            |
|                                       | Haydn_Padmore@glic.com<br>(E-mail Address)                                 |                 | 212-919-4216<br>(FAX Number)                                               |       |                      |            |

OFFICERS

|                                       |                       |                             |                       |
|---------------------------------------|-----------------------|-----------------------------|-----------------------|
| President and Chief Executive Officer | Deanna Marie Mulligan | SVP, Corporate Controller   | John Hunter Flannigan |
| EVP, General Counsel                  | Tracy Leon Rich       | SVP and Corporate Secretary | Harris Oliner         |

OTHER

|                                                                 |                                                                        |                                                        |
|-----------------------------------------------------------------|------------------------------------------------------------------------|--------------------------------------------------------|
| Michael Bernard Cefole #, SVP & CFO, Group and Worksite Markets | Marc Costantini, EVP & CFO                                             | Michael Nicholas Ferik #, EVP, Individual Markets      |
| Michael Richard Moreau, SVP, Chief Human Resources Officer      | Michael Slipowitz, SVP, Corporate Chief Actuary and Chief Risk Officer | Thomas George Sorell, EVP and Chief Investment Officer |

DIRECTORS OR TRUSTEES

|                        |                         |                         |
|------------------------|-------------------------|-------------------------|
| John Joseph Brennan    | Lloyd Eugene Campbell   | Richard Edward Cavanagh |
| Nancy Elizabeth Cooper | James Ernest Daley      | Deborah Leigh Duncan    |
| William Craig Freda    | Deanna Marie Mulligan   | John Arthur Somers      |
| Stephen Joseph Squeri  | Donald Cramer Waite III |                         |

State of New York SS:  
County of New York

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Deanna Marie Mulligan  
President and Chief Executive Officer

Tracy Leon Rich  
EVP, General Counsel

John Hunter Flannigan  
SVP, Corporate Controller

Subscribed and sworn to before me this  
19th day of October, 2016

Richard S. Grieco

a. Is this an original filing? Yes [ X ] No [ ]  
b. If no,  
1. State the amendment number.  
2. Date filed  
3. Number of pages attached

RICHARD S. GRIECO  
Notary Public, State of New York  
No. 30-4675886  
Qualified in Nassau County  
Commission Expires Dec. 31, 2018

ASSETS

|                                                                                                                                                             | Current Statement Date |                         |                                           | 4<br>December 31<br>Prior Year Net<br>Admitted Assets |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-------------------------|-------------------------------------------|-------------------------------------------------------|
|                                                                                                                                                             | 1<br>Assets            | 2<br>Nonadmitted Assets | 3<br>Net Admitted Assets<br>(Cols. 1 - 2) |                                                       |
| 1. Bonds .....                                                                                                                                              | 34,802,265,383         |                         | 34,802,265,383                            | 31,715,928,066                                        |
| 2. Stocks:                                                                                                                                                  |                        |                         |                                           |                                                       |
| 2.1 Preferred stocks .....                                                                                                                                  | 115,634,083            |                         | 115,634,083                               | 166,835,343                                           |
| 2.2 Common stocks .....                                                                                                                                     | 1,599,650,572          | 6,360,851               | 1,593,289,721                             | 1,455,912,965                                         |
| 3. Mortgage loans on real estate:                                                                                                                           |                        |                         |                                           |                                                       |
| 3.1 First liens .....                                                                                                                                       | 3,423,789,432          |                         | 3,423,789,432                             | 3,325,161,549                                         |
| 3.2 Other than first liens.....                                                                                                                             |                        |                         |                                           | 62,771,143                                            |
| 4. Real estate:                                                                                                                                             |                        |                         |                                           |                                                       |
| 4.1 Properties occupied by the company (less \$ .....<br>encumbrances) .....                                                                                | 10,843,145             |                         | 10,843,145                                | 11,507,580                                            |
| 4.2 Properties held for the production of income (less<br>\$ .....245,567,955 encumbrances) .....                                                           | 387,701,182            |                         | 387,701,182                               | 414,992,625                                           |
| 4.3 Properties held for sale (less \$ .....<br>encumbrances) .....                                                                                          | 2,773,032              |                         | 2,773,032                                 | 3,068,924                                             |
| 5. Cash (\$ .....75,368,788 ), cash equivalents<br>(\$ .....461,392,692 ) and short-term<br>investments (\$ .....94,218,241 ) .....                         | 630,979,721            |                         | 630,979,721                               | 778,064,420                                           |
| 6. Contract loans (including \$ ..... premium notes) .....                                                                                                  | 3,375,839,865          | 751,376                 | 3,375,088,489                             | 3,337,425,918                                         |
| 7. Derivatives .....                                                                                                                                        | 18,566,489             |                         | 18,566,489                                | 9,057,140                                             |
| 8. Other invested assets .....                                                                                                                              | 1,748,702,627          | 2,330,439               | 1,746,372,188                             | 1,896,606,179                                         |
| 9. Receivables for securities .....                                                                                                                         | 219,676,691            |                         | 219,676,691                               | 2,433,987                                             |
| 10. Securities lending reinvested collateral assets .....                                                                                                   |                        |                         |                                           |                                                       |
| 11. Aggregate write-ins for invested assets .....                                                                                                           | 15,193,221             |                         | 15,193,221                                |                                                       |
| 12. Subtotals, cash and invested assets (Lines 1 to 11) .....                                                                                               | 46,351,615,445         | 9,442,666               | 46,342,172,779                            | 43,179,765,839                                        |
| 13. Title plants less \$ ..... charged off (for Title insurers<br>only) .....                                                                               |                        |                         |                                           |                                                       |
| 14. Investment income due and accrued .....                                                                                                                 | 396,088,935            |                         | 396,088,935                               | 366,714,532                                           |
| 15. Premiums and considerations:                                                                                                                            |                        |                         |                                           |                                                       |
| 15.1 Uncollected premiums and agents' balances in the course of collection .....                                                                            | 104,957,454            | 6,421,541               | 98,535,912                                | 113,462,476                                           |
| 15.2 Deferred premiums, agents' balances and installments booked but<br>deferred and not yet due (including \$ .....<br>earned but unbilled premiums) ..... | 1,019,161,475          |                         | 1,019,161,475                             | 907,258,585                                           |
| 15.3 Accrued retrospective premiums (\$ ..... ) and<br>contracts subject to redetermination (\$ ..... ) .....                                               |                        |                         |                                           |                                                       |
| 16. Reinsurance:                                                                                                                                            |                        |                         |                                           |                                                       |
| 16.1 Amounts recoverable from reinsurers .....                                                                                                              | 11,618,019             |                         | 11,618,019                                | 10,020,509                                            |
| 16.2 Funds held by or deposited with reinsured companies .....                                                                                              | 2,443,270,576          |                         | 2,443,270,576                             | 2,377,466,661                                         |
| 16.3 Other amounts receivable under reinsurance contracts .....                                                                                             | 30,650,747             |                         | 30,650,747                                | 31,622,395                                            |
| 17. Amounts receivable relating to uninsured plans .....                                                                                                    | 43,776,051             | 654,727                 | 43,121,324                                | 44,838,276                                            |
| 18.1 Current federal and foreign income tax recoverable and interest thereon .....                                                                          |                        |                         |                                           | 100,551,612                                           |
| 18.2 Net deferred tax asset .....                                                                                                                           | 929,437,164            | 224,946,077             | 704,491,087                               | 706,516,796                                           |
| 19. Guaranty funds receivable or on deposit .....                                                                                                           | 7,024,603              |                         | 7,024,603                                 | 10,295,062                                            |
| 20. Electronic data processing equipment and software .....                                                                                                 | 47,035,325             | 40,498,841              | 6,536,484                                 | 4,578,348                                             |
| 21. Furniture and equipment, including health care delivery assets<br>(\$ ..... ) .....                                                                     | 12,541,115             | 12,541,115              |                                           |                                                       |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates .....                                                                            |                        |                         |                                           |                                                       |
| 23. Receivables from parent, subsidiaries and affiliates .....                                                                                              | 23,939,511             |                         | 23,939,511                                | 194,341,822                                           |
| 24. Health care (\$ ..... ) and other amounts receivable .....                                                                                              | 32,527,067             | 32,527,067              |                                           |                                                       |
| 25. Aggregate write-ins for other than invested assets .....                                                                                                | 79,627,977             | 11,385,845              | 68,242,132                                | 73,457,492                                            |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and<br>Protected Cell Accounts (Lines 12 to 25) .....                                     | 51,533,271,464         | 338,417,880             | 51,194,853,583                            | 48,120,890,404                                        |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell<br>Accounts .....                                                                        |                        |                         |                                           |                                                       |
| 28. Total (Lines 26 and 27)                                                                                                                                 | 51,533,271,464         | 338,417,880             | 51,194,853,583                            | 48,120,890,404                                        |
| DETAILS OF WRITE-INS                                                                                                                                        |                        |                         |                                           |                                                       |
| 1101. Investments in progress .....                                                                                                                         | 15,193,221             |                         | 15,193,221                                |                                                       |
| 1102. ....                                                                                                                                                  |                        |                         |                                           |                                                       |
| 1103. ....                                                                                                                                                  |                        |                         |                                           |                                                       |
| 1198. Summary of remaining write-ins for Line 11 from overflow page .....                                                                                   |                        |                         |                                           |                                                       |
| 1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above)                                                                                             | 15,193,221             |                         | 15,193,221                                |                                                       |
| 2501. Miscellaneous receivable .....                                                                                                                        | 63,541,853             | 1,176,682               | 62,365,171                                | 69,488,427                                            |
| 2502. PA innovative credit .....                                                                                                                            | 3,438,735              |                         | 3,438,735                                 | 1,146,245                                             |
| 2503. Suspense accounts .....                                                                                                                               | 2,291,035              |                         | 2,291,035                                 | 1,521,797                                             |
| 2598. Summary of remaining write-ins for Line 25 from overflow page .....                                                                                   | 10,356,354             | 10,209,164              | 147,190                                   | 1,301,022                                             |
| 2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above)                                                                                             | 79,627,977             | 11,385,845              | 68,242,132                                | 73,457,492                                            |



STATEMENT AS OF SEPTEMBER 30, 2016 OF THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

LIABILITIES, SURPLUS AND OTHER FUNDS

|                                                                                                                                                                                                                                          | 1<br>Current<br>Statement Date | 2<br>December 31<br>Prior Year |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|--------------------------------|
| 1. Aggregate reserve for life contracts \$ .....35,162,919,964 less \$ ..... included in Line 6.3<br>(including \$ ..... Modco Reserve) .....                                                                                            | 35,162,919,964                 | 33,557,190,483                 |
| 2. Aggregate reserve for accident and health contracts (including \$ ..... Modco Reserve) .....                                                                                                                                          | 3,653,986,335                  | 3,498,827,761                  |
| 3. Liability for deposit-type contracts (including \$ ..... Modco Reserve) .....                                                                                                                                                         | 913,839,464                    | 406,751,921                    |
| 4. Contract claims:                                                                                                                                                                                                                      |                                |                                |
| 4.1 Life .....                                                                                                                                                                                                                           | 252,096,047                    | 223,720,117                    |
| 4.2 Accident and health .....                                                                                                                                                                                                            | 478,995,316                    | 484,745,683                    |
| 5. Policyholders' dividends \$ .....(52,289,907) and coupons \$ ..... due and unpaid .....                                                                                                                                               | (52,289,907)                   | (53,049,478)                   |
| 6. Provision for policyholders' dividends and coupons payable in following calendar year - estimated amounts:                                                                                                                            |                                |                                |
| 6.1 Dividends apportioned for payment (including \$ ..... Modco) .....                                                                                                                                                                   | 883,806,720                    | 837,493,163                    |
| 6.2 Dividends not yet apportioned (including \$ ..... Modco) .....                                                                                                                                                                       |                                |                                |
| 6.3 Coupons and similar benefits (including \$ ..... Modco) .....                                                                                                                                                                        |                                |                                |
| 7. Amount provisionally held for deferred dividend policies not included in Line 6 .....                                                                                                                                                 |                                |                                |
| 8. Premiums and annuity considerations for life and accident and health contracts received in advance less<br>\$ .....(16,047,935) discount; including \$ .....54,912,998 accident and health premiums .....                             | 292,255,471                    | 273,837,251                    |
| 9. Contract liabilities not included elsewhere:                                                                                                                                                                                          |                                |                                |
| 9.1 Surrender values on canceled contracts .....                                                                                                                                                                                         |                                |                                |
| 9.2 Provision for experience rating refunds, including the liability of \$ .....3,055,304 accident and health<br>experience rating refunds of which \$ ..... is for medical loss ratio rebate per the Public Health<br>Service Act ..... | 3,055,304                      | 5,335,663                      |
| 9.3 Other amounts payable on reinsurance, including \$ .....119,983 assumed and \$ .....16,118,512<br>ceded .....                                                                                                                        | 16,238,495                     | 17,759,991                     |
| 9.4 Interest Maintenance Reserve .....                                                                                                                                                                                                   | 496,358,458                    | 373,156,892                    |
| 10. Commissions to agents due or accrued-life and annuity contracts \$ .....25,266,135 , accident and health<br>\$ .....63,130,237 and deposit-type contract funds \$ ..... .....                                                        | 88,396,372                     | 104,391,252                    |
| 11. Commissions and expense allowances payable on reinsurance assumed .....                                                                                                                                                              | 929,420                        | 814,386                        |
| 12. General expenses due or accrued .....                                                                                                                                                                                                | 752,197,518                    | 787,208,933                    |
| 13. Transfers to Separate Accounts due or accrued (net) (including \$ ..... accrued for expense<br>allowances recognized in reserves, net of reinsured allowances) .....                                                                 |                                |                                |
| 14. Taxes, licenses and fees due or accrued, excluding federal income taxes .....                                                                                                                                                        | 20,509,644                     | 24,979,026                     |
| 15.1 Current federal and foreign income taxes, including \$ .....36,473,524 on realized capital gains (losses) .....                                                                                                                     | 46,111,688                     |                                |
| 15.2 Net deferred tax liability .....                                                                                                                                                                                                    |                                |                                |
| 16. Unearned investment income .....                                                                                                                                                                                                     | 99,583,498                     | 96,880,610                     |
| 17. Amounts withheld or retained by company as agent or trustee .....                                                                                                                                                                    | 26,677,703                     | 30,633,968                     |
| 18. Amounts held for agents' account, including \$ .....293,797 agents' credit balances .....                                                                                                                                            | 293,797                        | 282,948                        |
| 19. Remittances and items not allocated .....                                                                                                                                                                                            | 48,042,462                     | 41,620,159                     |
| 20. Net adjustment in assets and liabilities due to foreign exchange rates .....                                                                                                                                                         |                                |                                |
| 21. Liability for benefits for employees and agents if not included above .....                                                                                                                                                          | 425,793,517                    | 413,705,848                    |
| 22. Borrowed money \$ ..... and interest thereon \$ ..... .....                                                                                                                                                                          |                                |                                |
| 23. Dividends to stockholders declared and unpaid .....                                                                                                                                                                                  |                                |                                |
| 24. Miscellaneous liabilities:                                                                                                                                                                                                           |                                |                                |
| 24.01 Asset valuation reserve .....                                                                                                                                                                                                      | 814,062,133                    | 798,261,446                    |
| 24.02 Reinsurance in unauthorized and certified (\$ ..... ) companies .....                                                                                                                                                              |                                |                                |
| 24.03 Funds held under reinsurance treaties with unauthorized and certified (\$ ..... ) reinsurers .....                                                                                                                                 |                                |                                |
| 24.04 Payable to parent, subsidiaries and affiliates .....                                                                                                                                                                               | 11,879,428                     | 8,571,440                      |
| 24.05 Drafts outstanding .....                                                                                                                                                                                                           |                                |                                |
| 24.06 Liability for amounts held under uninsured plans .....                                                                                                                                                                             | 6,173,401                      | 6,817,960                      |
| 24.07 Funds held under coinsurance .....                                                                                                                                                                                                 | 17,078,450                     | 9,100,903                      |
| 24.08 Derivatives .....                                                                                                                                                                                                                  | 1,305,930                      | 5,024,155                      |
| 24.09 Payable for securities .....                                                                                                                                                                                                       | 315,091,869                    | 35,475,302                     |
| 24.10 Payable for securities lending .....                                                                                                                                                                                               |                                |                                |
| 24.11 Capital notes \$ ..... and interest thereon \$ ..... .....                                                                                                                                                                         |                                |                                |
| 25. Aggregate write-ins for liabilities .....                                                                                                                                                                                            | 159,964,070                    | 41,682,129                     |
| 26. Total liabilities excluding Separate Accounts business (Lines 1 to 25) .....                                                                                                                                                         | 44,935,352,567                 | 42,031,219,911                 |
| 27. From Separate Accounts Statement .....                                                                                                                                                                                               |                                |                                |
| 28. Total liabilities (Lines 26 and 27) .....                                                                                                                                                                                            | 44,935,352,567                 | 42,031,219,911                 |
| 29. Common capital stock .....                                                                                                                                                                                                           |                                |                                |
| 30. Preferred capital stock .....                                                                                                                                                                                                        |                                |                                |
| 31. Aggregate write-ins for other than special surplus funds .....                                                                                                                                                                       |                                |                                |
| 32. Surplus notes .....                                                                                                                                                                                                                  | 845,414,147                    | 845,262,608                    |
| 33. Gross paid in and contributed surplus .....                                                                                                                                                                                          |                                |                                |
| 34. Aggregate write-ins for special surplus funds .....                                                                                                                                                                                  | 4,006,732                      | 38,909,732                     |
| 35. Unassigned funds (surplus) .....                                                                                                                                                                                                     | 5,410,080,137                  | 5,205,498,153                  |
| 36. Less treasury stock, at cost:                                                                                                                                                                                                        |                                |                                |
| 36.1 ..... shares common (value included in Line 29 \$ ..... ) .....                                                                                                                                                                     |                                |                                |
| 36.2 ..... shares preferred (value included in Line 30 \$ ..... ) .....                                                                                                                                                                  |                                |                                |
| 37. Surplus (Total Lines 31+32+33+34+35-36) (including \$ ..... in Separate Accounts Statement) .....                                                                                                                                    | 6,259,501,016                  | 6,089,670,493                  |
| 38. Totals of Lines 29, 30 and 37 .....                                                                                                                                                                                                  | 6,259,501,016                  | 6,089,670,493                  |
| 39. Totals of Lines 28 and 38 (Page 2, Line 28, Col. 3) .....                                                                                                                                                                            | 51,194,853,583                 | 48,120,890,404                 |
| <b>DETAILS OF WRITE-INS</b>                                                                                                                                                                                                              |                                |                                |
| 2501. Liability for dollar rolls .....                                                                                                                                                                                                   | 105,496,313                    |                                |
| 2502. Miscellaneous liabilities .....                                                                                                                                                                                                    | 18,151,315                     | 21,349,976                     |
| 2503. Liability for pension benefits .....                                                                                                                                                                                               | 17,410,437                     |                                |
| 2598. Summary of remaining write-ins for Line 25 from overflow page .....                                                                                                                                                                | 18,906,005                     | 20,332,153                     |
| 2599. Totals (Lines 2501 through 2503 plus 2598)(Line 25 above) .....                                                                                                                                                                    | 159,964,070                    | 41,682,129                     |
| 3101. ....                                                                                                                                                                                                                               |                                |                                |
| 3102. ....                                                                                                                                                                                                                               |                                |                                |
| 3103. ....                                                                                                                                                                                                                               |                                |                                |
| 3198. Summary of remaining write-ins for Line 31 from overflow page .....                                                                                                                                                                |                                |                                |
| 3199. Totals (Lines 3101 through 3103 plus 3198)(Line 31 above) .....                                                                                                                                                                    |                                |                                |
| 3401. Contingency reserve for aviation reinsurance .....                                                                                                                                                                                 | 3,000,000                      | 3,000,000                      |
| 3402. Permanent surplus Arkansas requirements .....                                                                                                                                                                                      | 1,000,000                      | 1,000,000                      |
| 3403. Contingency reserve for deposit administration .....                                                                                                                                                                               | 6,732                          | 6,732                          |
| 3498. Summary of remaining write-ins for Line 34 from overflow page .....                                                                                                                                                                |                                | 34,903,000                     |
| 3499. Totals (Lines 3401 through 3403 plus 3498)(Line 34 above) .....                                                                                                                                                                    | 4,006,732                      | 38,909,732                     |

SUMMARY OF OPERATIONS

|                                                                                                                                                                                                                    | 1<br>Current Year<br>To Date | 2<br>Prior Year<br>To Date | 3<br>Prior Year Ended<br>December 31 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|----------------------------|--------------------------------------|
| 1. Premiums and annuity considerations for life and accident and health contracts .....                                                                                                                            | 5,731,103,984                | 5,393,028,746              | 7,337,708,952                        |
| 2. Considerations for supplementary contracts with life contingencies .....                                                                                                                                        | 1,649,307                    | 2,141,744                  | 2,626,271                            |
| 3. Net investment income .....                                                                                                                                                                                     | 1,552,696,568                | 1,439,057,974              | 1,984,669,258                        |
| 4. Amortization of Interest Maintenance Reserve (IMR) .....                                                                                                                                                        | 84,560,182                   | 82,844,770                 | 103,032,965                          |
| 5. Separate Accounts net gain from operations excluding unrealized gains or losses .....                                                                                                                           |                              |                            |                                      |
| 6. Commissions and expense allowances on reinsurance ceded .....                                                                                                                                                   | 64,478,009                   | 67,205,250                 | 88,902,747                           |
| 7. Reserve adjustments on reinsurance ceded .....                                                                                                                                                                  |                              |                            |                                      |
| 8. Miscellaneous Income:                                                                                                                                                                                           |                              |                            |                                      |
| 8.1 Income from fees associated with investment management, administration and contract<br>guarantees from Separate Accounts .....                                                                                 |                              |                            |                                      |
| 8.2 Charges and fees for deposit-type contracts .....                                                                                                                                                              |                              |                            |                                      |
| 8.3 Aggregate write-ins for miscellaneous income .....                                                                                                                                                             | 148,252,153                  | 118,876,814                | 182,177,925                          |
| 9. Totals (Lines 1 to 8.3) .....                                                                                                                                                                                   | 7,582,740,202                | 7,103,155,297              | 9,699,118,118                        |
| 10. Death benefits .....                                                                                                                                                                                           | 756,760,354                  | 700,024,306                | 939,736,020                          |
| 11. Matured endowments (excluding guaranteed annual pure endowments) .....                                                                                                                                         | 983,195                      | 1,264,387                  | 1,619,077                            |
| 12. Annuity benefits .....                                                                                                                                                                                         | 4,101,334                    | 5,443,974                  | 7,177,404                            |
| 13. Disability benefits and benefits under accident and health contracts .....                                                                                                                                     | 1,583,682,083                | 1,499,985,367              | 2,003,426,165                        |
| 14. Coupons, guaranteed annual pure endowments and similar benefits .....                                                                                                                                          |                              |                            |                                      |
| 15. Surrender benefits and withdrawals for life contracts .....                                                                                                                                                    | 830,055,717                  | 828,758,478                | 1,153,201,751                        |
| 16. Group conversions .....                                                                                                                                                                                        | 1,039,844                    | 1,017,133                  | 1,371,137                            |
| 17. Interest and adjustments on contract or deposit-type contract funds .....                                                                                                                                      | 23,262,705                   | 18,620,999                 | 25,017,786                           |
| 18. Payments on supplementary contracts with life contingencies .....                                                                                                                                              | 2,040,155                    | 1,555,797                  | 2,018,195                            |
| 19. Increase in aggregate reserves for life and accident and health contracts .....                                                                                                                                | 1,752,622,523                | 1,577,736,918              | 2,132,223,385                        |
| 20. Totals (Lines 10 to 19) .....                                                                                                                                                                                  | 4,954,547,909                | 4,634,407,360              | 6,265,790,920                        |
| 21. Commissions on premiums, annuity considerations, and deposit-type contract funds (direct<br>business only) .....                                                                                               | 372,695,789                  | 350,871,404                | 472,104,830                          |
| 22. Commissions and expense allowances on reinsurance assumed .....                                                                                                                                                | 154,993,586                  | 128,526,979                | 182,486,698                          |
| 23. General insurance expenses .....                                                                                                                                                                               | 913,971,449                  | 853,372,123                | 1,182,689,996                        |
| 24. Insurance taxes, licenses and fees, excluding federal income taxes .....                                                                                                                                       | 175,369,645                  | 171,700,485                | 213,364,623                          |
| 25. Increase in loading on deferred and uncollected premiums .....                                                                                                                                                 | (73,247,852)                 | (72,072,248)               | (3,810,836)                          |
| 26. Net transfers to or (from) Separate Accounts net of reinsurance .....                                                                                                                                          |                              |                            |                                      |
| 27. Aggregate write-ins for deductions .....                                                                                                                                                                       | 6,757,694                    | (29,986,686)               | (19,676,086)                         |
| 28. Totals (Lines 20 to 27) .....                                                                                                                                                                                  | 6,505,088,219                | 6,036,819,417              | 8,292,950,145                        |
| 29. Net gain from operations before dividends to policyholders and federal income taxes (Line 9 minus<br>Line 28) .....                                                                                            | 1,077,651,983                | 1,066,335,881              | 1,406,167,973                        |
| 30. Dividends to policyholders .....                                                                                                                                                                               | 624,284,905                  | 579,569,181                | 826,079,814                          |
| 31. Net gain from operations after dividends to policyholders and before federal income taxes (Line 29<br>minus Line 30) .....                                                                                     | 453,367,078                  | 486,766,700                | 580,088,159                          |
| 32. Federal and foreign income taxes incurred (excluding tax on capital gains) .....                                                                                                                               | 134,564,074                  | 60,360,094                 | 82,033,119                           |
| 33. Net gain from operations after dividends to policyholders and federal income taxes and before<br>realized capital gains or (losses) (Line 31 minus Line 32) .....                                              | 318,803,003                  | 426,406,606                | 498,055,040                          |
| 34. Net realized capital gains (losses) (excluding gains (losses) transferred to the IMR) less capital<br>gains tax of \$ .....32,540,262 (excluding taxes of \$ .....111,871,710<br>transferred to the IMR) ..... | (15,419,809)                 | 97,853,791                 | (65,002,902)                         |
| 35. Net income (Line 33 plus Line 34) .....                                                                                                                                                                        | 303,383,195                  | 524,260,397                | 433,052,138                          |
| CAPITAL AND SURPLUS ACCOUNT                                                                                                                                                                                        |                              |                            |                                      |
| 36. Capital and surplus, December 31, prior year .....                                                                                                                                                             | 6,089,670,493                | 5,691,568,093              | 5,691,568,093                        |
| 37. Net income (Line 35) .....                                                                                                                                                                                     | 303,383,195                  | 524,260,397                | 433,052,138                          |
| 38. Change in net unrealized capital gains (losses) less capital gains tax of \$ .....                                                                                                                             | (112,280,997)                | 159,898,566                | 30,812,750                           |
| 39. Change in net unrealized foreign exchange capital gain (loss) .....                                                                                                                                            | (9,102,395)                  | 41,146,328                 | 57,631,770                           |
| 40. Change in net deferred income tax .....                                                                                                                                                                        | 40,142,327                   | (65,083,754)               | (43,136,107)                         |
| 41. Change in nonadmitted assets .....                                                                                                                                                                             | (33,338,314)                 | 56,931,148                 | 54,488,236                           |
| 42. Change in liability for reinsurance in unauthorized and certified companies .....                                                                                                                              |                              |                            | 8,314                                |
| 43. Change in reserve on account of change in valuation basis, (increase) or decrease .....                                                                                                                        | (8,265,535)                  | (17,139,527)               | (40,400,674)                         |
| 44. Change in asset valuation reserve .....                                                                                                                                                                        | (15,800,687)                 | (52,670,604)               | (44,087,051)                         |
| 45. Change in treasury stock .....                                                                                                                                                                                 |                              |                            |                                      |
| 46. Surplus (contributed to) withdrawn from Separate Accounts during period .....                                                                                                                                  |                              |                            |                                      |
| 47. Other changes in surplus in Separate Accounts Statement .....                                                                                                                                                  |                              |                            |                                      |
| 48. Change in surplus notes .....                                                                                                                                                                                  | 151,538                      | 151,538                    | 166,613                              |
| 49. Cumulative effect of changes in accounting principles .....                                                                                                                                                    |                              | (10,131,383)               | (12,773,664)                         |
| 50. Capital changes:                                                                                                                                                                                               |                              |                            |                                      |
| 50.1 Paid in .....                                                                                                                                                                                                 |                              |                            |                                      |
| 50.2 Transferred from surplus (Stock Dividend) .....                                                                                                                                                               |                              |                            |                                      |
| 50.3 Transferred to surplus .....                                                                                                                                                                                  |                              |                            |                                      |
| 51. Surplus adjustment:                                                                                                                                                                                            |                              |                            |                                      |
| 51.1 Paid in .....                                                                                                                                                                                                 |                              |                            |                                      |
| 51.2 Transferred to capital (Stock Dividend) .....                                                                                                                                                                 |                              |                            |                                      |
| 51.3 Transferred from capital .....                                                                                                                                                                                |                              |                            |                                      |
| 51.4 Change in surplus as a result of reinsurance .....                                                                                                                                                            |                              |                            |                                      |
| 52. Dividends to stockholders .....                                                                                                                                                                                |                              |                            |                                      |
| 53. Aggregate write-ins for gains and losses in surplus .....                                                                                                                                                      | 4,941,391                    | 23,382,917                 | (37,659,926)                         |
| 54. Net change in capital and surplus for the year (Lines 37 through 53) .....                                                                                                                                     | 169,830,523                  | 660,745,628                | 398,102,399                          |
| 55. Capital and surplus, as of statement date (Lines 36 + 54) .....                                                                                                                                                | 6,259,501,016                | 6,352,313,721              | 6,089,670,493                        |
| DETAILS OF WRITE-INS                                                                                                                                                                                               |                              |                            |                                      |
| 08.301. Interest on funds withheld assumed .....                                                                                                                                                                   | 103,771,777                  | 102,849,750                | 140,830,476                          |
| 08.302. Experience refund .....                                                                                                                                                                                    | 19,862,304                   | 14,834,170                 | 22,256,492                           |
| 08.303. Other reserve adjustment on reinsurance .....                                                                                                                                                              | 15,801,364                   | (12,139,467)               | 3,002,116                            |
| 08.398. Summary of remaining write-ins for Line 8.3 from overflow page .....                                                                                                                                       | 8,816,708                    | 13,332,361                 | 16,088,840                           |
| 08.399. Totals (Lines 08.301 through 08.303 plus 08.398) (Line 8.3 above) .....                                                                                                                                    | 148,252,153                  | 118,876,814                | 182,177,925                          |
| 2701. Other miscellaneous expenses .....                                                                                                                                                                           | 8,207,957                    | 4,373,510                  | 5,904,946                            |
| 2702. Interest expense on funds held ceded .....                                                                                                                                                                   | 449,226                      | 162,667                    | 272,982                              |
| 2703. Fines & penalties of regulatory authorities .....                                                                                                                                                            | 144,669                      | 234,629                    | 176,161                              |
| 2798. Summary of remaining write-ins for Line 27 from overflow page .....                                                                                                                                          | (2,044,159)                  | (34,757,491)               | (26,030,175)                         |
| 2799. Totals (Lines 2701 through 2703 plus 2798)(Line 27 above) .....                                                                                                                                              | 6,757,694                    | (29,986,686)               | (19,676,086)                         |
| 5301. Reduction in prepaid pension assets .....                                                                                                                                                                    | 4,941,391                    | 23,382,917                 | (37,659,926)                         |
| 5302. ....                                                                                                                                                                                                         |                              |                            |                                      |
| 5303. ....                                                                                                                                                                                                         |                              |                            |                                      |
| 5398. Summary of remaining write-ins for Line 53 from overflow page .....                                                                                                                                          |                              |                            |                                      |
| 5399. Totals (Lines 5301 through 5303 plus 5398)(Line 53 above) .....                                                                                                                                              | 4,941,391                    | 23,382,917                 | (37,659,926)                         |

STATEMENT AS OF SEPTEMBER 30, 2016 OF THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

CASH FLOW

|                                                                                                                             | 1<br>Current Year<br>To Date | 2<br>Prior Year<br>To Date | 3<br>Prior Year Ended<br>December 31 |
|-----------------------------------------------------------------------------------------------------------------------------|------------------------------|----------------------------|--------------------------------------|
| <b>Cash from Operations</b>                                                                                                 |                              |                            |                                      |
| 1. Premiums collected net of reinsurance .....                                                                              | 5,723,869,699                | 5,362,353,974              | 7,314,472,838                        |
| 2. Net investment income .....                                                                                              | 1,575,820,632                | 1,480,363,068              | 2,061,938,836                        |
| 3. Miscellaneous income .....                                                                                               | 158,360,733                  | 80,202,835                 | 271,165,470                          |
| 4. Total (Lines 1 to 3) .....                                                                                               | 7,458,051,063                | 6,922,919,877              | 9,647,577,144                        |
| 5. Benefit and loss related payments .....                                                                                  | 3,172,365,488                | 2,988,913,020              | 4,029,456,060                        |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts .....                                |                              |                            |                                      |
| 7. Commissions, expenses paid and aggregate write-ins for deductions .....                                                  | 1,683,019,403                | 1,561,589,489              | 1,940,067,192                        |
| 8. Dividends paid to policyholders .....                                                                                    | 577,236,508                  | 543,067,280                | 781,665,797                          |
| 9. Federal and foreign income taxes paid (recovered) net of \$ .....144,411,972 tax on capital<br>gains (losses) .....      | 132,312,746                  | 206,693,221                | 310,544,910                          |
| 10. Total (Lines 5 through 9) .....                                                                                         | 5,564,934,145                | 5,300,263,010              | 7,061,733,959                        |
| 11. Net cash from operations (Line 4 minus Line 10) .....                                                                   | 1,893,116,918                | 1,622,656,867              | 2,585,843,185                        |
| <b>Cash from Investments</b>                                                                                                |                              |                            |                                      |
| 12. Proceeds from investments sold, matured or repaid:                                                                      |                              |                            |                                      |
| 12.1 Bonds .....                                                                                                            | 10,861,327,197               | 8,246,222,974              | 10,748,405,089                       |
| 12.2 Stocks .....                                                                                                           | 240,676,989                  | 236,618,709                | 340,457,575                          |
| 12.3 Mortgage loans .....                                                                                                   | 399,852,949                  | 362,505,479                | 468,617,735                          |
| 12.4 Real estate .....                                                                                                      | 81,110,064                   | 7,109,623                  | 32,329,078                           |
| 12.5 Other invested assets .....                                                                                            | 429,401,947                  | 735,602,550                | 850,437,279                          |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments .....                                       | (1,442)                      | 16,936                     | 18,611                               |
| 12.7 Miscellaneous proceeds .....                                                                                           | 290,464,162                  | 211,378,683                | 118,355,431                          |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7) .....                                                                   | 12,302,831,866               | 9,799,454,954              | 12,558,620,798                       |
| 13. Cost of investments acquired (long-term only):                                                                          |                              |                            |                                      |
| 13.1 Bonds .....                                                                                                            | 13,627,048,418               | 10,374,927,545             | 12,791,248,883                       |
| 13.2 Stocks .....                                                                                                           | 327,379,079                  | 287,890,431                | 361,454,701                          |
| 13.3 Mortgage loans .....                                                                                                   | 439,824,509                  | 326,218,506                | 815,612,515                          |
| 13.4 Real estate .....                                                                                                      | 38,731,868                   | 316,940,485                | 330,251,547                          |
| 13.5 Other invested assets .....                                                                                            | 426,665,104                  | 251,301,841                | 474,321,125                          |
| 13.6 Miscellaneous applications .....                                                                                       | 264,631,080                  | 77,634,018                 | 28,799,893                           |
| 13.7 Total investments acquired (Lines 13.1 to 13.6) .....                                                                  | 15,124,280,058               | 11,634,912,826             | 14,801,688,664                       |
| 14. Net increase (or decrease) in contract loans and premium notes .....                                                    | 37,566,868                   | 68,122,326                 | 106,502,185                          |
| 15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14) .....                                                 | (2,859,015,061)              | (1,903,580,198)            | (2,349,570,052)                      |
| <b>Cash from Financing and Miscellaneous Sources</b>                                                                        |                              |                            |                                      |
| 16. Cash provided (applied):                                                                                                |                              |                            |                                      |
| 16.1 Surplus notes, capital notes .....                                                                                     | 151,539                      | 151,538                    | 166,612                              |
| 16.2 Capital and paid in surplus, less treasury stock .....                                                                 |                              |                            |                                      |
| 16.3 Borrowed funds .....                                                                                                   |                              |                            |                                      |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities .....                                           | 507,087,543                  | (1,717,621)                | 5,285,660                            |
| 16.5 Dividends to stockholders .....                                                                                        |                              |                            |                                      |
| 16.6 Other cash provided (applied) .....                                                                                    | 311,574,362                  | 111,661,851                | (228,233,454)                        |
| 17. Net cash from financing and miscellaneous sources (Line 16.1 through Line 16.4 minus Line 16.5<br>plus Line 16.6) ..... | 818,813,444                  | 110,095,768                | (222,781,182)                        |
| <b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>                                                  |                              |                            |                                      |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17) .....                   | (147,084,699)                | (170,827,563)              | 13,491,952                           |
| 19. Cash, cash equivalents and short-term investments:                                                                      |                              |                            |                                      |
| 19.1 Beginning of year .....                                                                                                | 778,064,420                  | 764,572,469                | 764,572,469                          |
| 19.2 End of period (Line 18 plus Line 19.1) .....                                                                           | 630,979,722                  | 593,744,906                | 778,064,420                          |

Note: Supplemental disclosures of cash flow information for non-cash transactions:

|                                                                                            |             |             |             |
|--------------------------------------------------------------------------------------------|-------------|-------------|-------------|
| 20.0001. Bonds to bonds exchange .....                                                     | 463,810,011 | 461,870,489 | 738,624,030 |
| 20.0002. Preferstock Common Stocks to common stocks exchange .....                         | 1,739,574   | 1,824,242   | 5,715,680   |
| 20.0003. Settled reinsurance transactions with exchange of non-cash financial assets ..... | 33,118,423  |             | 88,061,794  |

EXHIBIT 1

| DIRECT PREMIUMS AND DEPOSIT-TYPE CONTRACTS                                |                              |                            |                                      |
|---------------------------------------------------------------------------|------------------------------|----------------------------|--------------------------------------|
|                                                                           | 1<br>Current Year<br>To Date | 2<br>Prior Year<br>To Date | 3<br>Prior Year Ended<br>December 31 |
| 1. Industrial life .....                                                  |                              |                            |                                      |
| 2. Ordinary life insurance .....                                          | 2,902,907,167                | 2,758,866,892              | 3,858,066,057                        |
| 3. Ordinary individual annuities .....                                    | 5,464,790                    | 7,939,872                  | 19,456,986                           |
| 4. Credit life (group and individual) .....                               |                              |                            |                                      |
| 5. Group life insurance .....                                             | 450,255,029                  | 417,356,419                | 503,777,483                          |
| 6. Group annuities .....                                                  |                              |                            |                                      |
| 7. A & H - group .....                                                    | 2,191,528,586                | 2,036,606,984              | 2,727,267,993                        |
| 8. A & H - credit (group and individual) .....                            |                              |                            |                                      |
| 9. A & H - other .....                                                    | 148,050,200                  | 154,643,142                | 205,029,372                          |
| 10. Aggregate of all other lines of business .....                        |                              |                            |                                      |
| 11. Subtotal .....                                                        | 5,698,205,772                | 5,375,413,309              | 7,313,597,892                        |
| 12. Deposit-type contracts .....                                          | 381,726                      | 281,395                    | 411,731                              |
| 13. Total                                                                 | 5,698,587,498                | 5,375,694,704              | 7,314,009,623                        |
| DETAILS OF WRITE-INS                                                      |                              |                            |                                      |
| 1001. ....                                                                |                              |                            |                                      |
| 1002. ....                                                                |                              |                            |                                      |
| 1003. ....                                                                |                              |                            |                                      |
| 1098. Summary of remaining write-ins for Line 10 from overflow page ..... |                              |                            |                                      |
| 1099. Totals (Lines 1001 through 1003 plus 1098)(Line 10 above)           |                              |                            |                                      |

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

The financial statements of The Guardian Life Insurance Company of America (the “Company”) are presented on the basis of accounting practices prescribed or permitted by the New York State Department of Financial Services (the “Department”).

The Department recognizes only statutory accounting practices prescribed or permitted by the state of New York for determining and reporting the financial condition and results of operations of an insurance company (“New York SAP”). The National Association of Insurance Commissioners’ (“NAIC”) promulgates the Accounting Practices and Procedures Manual (“NAIC SAP”), which includes accounting guidelines referred to as Statements of Statutory Accounting Principles (“SSAP’s”). The Department adopted NAIC SAP with certain modifications, through the passage of Regulation 172, effective January 1, 2001, as amended. There were two material differences between the Company’s capital, surplus and net income (loss) calculated in accordance with New York SAP and NAIC SAP for the period ended September 30, 2016 and December 31, 2015.

|                                                                       | State of<br>Domicile | September 30, 2016 | December 31, 2015 |
|-----------------------------------------------------------------------|----------------------|--------------------|-------------------|
| <b>NET INCOME</b>                                                     |                      |                    |                   |
| (1) Statutory Net Income state basis (Page 4, Line 35, Columns 1 & 2) | New York             | \$ 303,383,195     | \$ 433,052,138    |
| (2) State Prescribed Practices that increase/(decrease) NAIC SAP      |                      |                    |                   |
| Impact on deferred premiums                                           |                      | 1,016,331          | 10,567,338        |
| Impact on admitted unearned premiums/allowances                       |                      | (2,244,473)        | (6,252,205)       |
| (3) State Permitted Practices that increase/(decrease) NAIC SAP       |                      | -                  | -                 |
| (4) Statutory Net Income, NAIC SAP basis (1-2-3 = 4)                  | New York             | \$ 302,155,054     | \$ 437,367,271    |
| <b>SURPLUS</b>                                                        |                      |                    |                   |
| (5) Statutory Surplus, State basis (Page 3, Line 38, Columns 1 & 2)   | New York             | 6,259,501,016      | 6,089,670,493     |
| (6) State Prescribed Practices that increase/(decrease) NAIC SAP      |                      |                    |                   |
| Impact on deferred premiums                                           |                      | 123,403,077        | 122,386,746       |
| Impact on admitted unearned premiums/allowances                       |                      | (51,648,747)       | (49,404,274)      |
| (7) State Permitted Practices that increase/(decrease) NAIC SAP       |                      | -                  | -                 |
| (8) Statutory Surplus, NAIC SAP basis (5-6-7 = 8)                     | New York             | \$ 6,331,255,346   | \$ 6,162,652,965  |
| Department circular Letter No. 11                                     |                      |                    |                   |
| Department Regulation 172                                             |                      |                    |                   |

B. Use of Estimates in the Preparation of the Financial Statements

No Changes

C. Accounting Policy

No Changes

D. Going Concern

Not Applicable

2. Accounting Changes and Correction of Errors

No Changes

3. Business Combinations and Goodwill

No Changes

NOTES TO FINANCIAL STATEMENTS

4. Discontinued Operations

No Changes

5. Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

No Changes

B. Debt Restructuring

No Changes

C. Reverse Mortgages

No Changes

D. Loan-Backed Securities

(1) Prepayment assumptions for single class and multi-class mortgage-backed/asset-backed securities were obtained from issuers or broker-dealers through information services or internal estimates and are consistent with current interest rates and the economic environment. The Company uses IDC pricing service or broker dealer surveys in determining the market value of its loan backed securities.

(2) None

(3) None

(4)

All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):

a. The aggregate amount of unrealized losses:

|                        |    |           |
|------------------------|----|-----------|
| 1. Less than 12 Months | \$ | 3,279,758 |
| 2. 12 Months or Longer | \$ | 6,304,658 |

b. The aggregate related fair value of securities with unrealized losses:

|                        |    |             |
|------------------------|----|-------------|
| 1. Less than 12 Months | \$ | 411,181,202 |
| 2. 12 Months or Longer | \$ | 179,950,939 |

(5) In reaching the conclusion that these impairments are not other-than-temporary, management considered many factors including: duration and severity of impairment, cash flow, investment sector stability, credit worthiness, financial condition of issuer, and intent and ability to hold to allow for recovery in value.

E. Repurchase Agreements and/or Securities Lending Transactions

No Changes

F. Real Estate

No Changes

G. For investments in Low-Income Housing Tax Credits (LIHTC).

No Changes

H. Restricted Assets

No Changes

I. Working Capital Finance Investments

No Changes

NOTES TO FINANCIAL STATEMENTS

J. Offsetting and netting Assets and Liabilities

|                             | Gross Amount Recognized | Amount Offset* | Net Amount Presented on Financial Statements |
|-----------------------------|-------------------------|----------------|----------------------------------------------|
| (1) Assets                  |                         |                |                                              |
| Currency swaps              | \$ 18,276,200           |                | \$ 18,276,200                                |
| Index Participation Feature | 24,732                  |                | 24,732                                       |

\* For derivative assets and derivative liabilities, the amount offset shall agree to Schedule DB, Part D, Section 1

|                 |              |  |              |
|-----------------|--------------|--|--------------|
| (2) Liabilities |              |  |              |
| Currency swaps  | \$ 1,305,930 |  | \$ 1,305,930 |

\* For derivative assets and derivative liabilities, the amount offset shall agree to Schedule DB, Part D, Section 1

K. Structured Notes

No Changes

6. Joint Ventures, Partnerships and Limited Liability Companies

No Changes

7. Investment Income

No Changes

8. Derivative Instruments

No Changes

9. Income Taxes

No Changes

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

No Changes

11. Debt

No Changes

NOTES TO FINANCIAL STATEMENTS

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. Defined Benefit Plan

1. - 3. - No change

4. Components of net periodic benefit cost

|    |                                                                                                     | Pension Benefits |               | Postretirement Benefits |              |
|----|-----------------------------------------------------------------------------------------------------|------------------|---------------|-------------------------|--------------|
|    |                                                                                                     | Nine months      |               | Nine months             |              |
|    |                                                                                                     | ended            | Year ended    | ended                   | Year ended   |
|    |                                                                                                     | 9/30/2016        | 12/31/2015    | 9/30/2016               | 12/31/2015   |
| a. | Service cost                                                                                        | \$ 52,950,068    | \$ 70,021,745 | \$ 4,417,655            | \$ 6,144,891 |
| b. | Interest cost                                                                                       | 71,425,096       | 88,429,175    | 8,246,004               | 10,202,464   |
| c. | Expected return on plan assets                                                                      | (98,671,935)     | (142,264,135) | (7,663,991)             | (10,601,609) |
| d. | Amortization of unrecognized transition asset                                                       | 392,250          | 523,000       | -                       | -            |
| e. | Amount of recognized losses                                                                         | 33,788,785       | 42,115,630    | 3,261,861               | 4,788,515    |
| f. | Amount of prior service cost recognized                                                             | 28,500           | 3,232,234     | (2,672,768)             | (2,576,156)  |
| g. | Amount of gain or loss recognized due to a settlement, curtailment, or special termination benefits | -                | 1,665,800     | -                       | -            |
| h. | Total net periodic benefit cost                                                                     | \$ 59,912,764    | \$ 63,723,449 | \$ 5,588,761            | \$ 7,958,105 |

5. - 21. - No change

B. I. - No change

13. Capital and Surplus, Shareholders’ Dividend Restrictions and Quasi-Reorganizations

- (1) No Changes
- (2) No Changes
- (3) No Changes
- (4) No Changes
- (5) No Changes
- (6) No Changes
- (7) No Changes
- (8) No Changes
- (9) No Changes
- (10) No Changes
- (11) No Changes
- (12) No Changes
- (13) No Changes



NOTES TO FINANCIAL STATEMENTS

14. Liabilities, Contingencies and Assessments

No Changes

15. Leases

No Changes

16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentrations of Credit Risk

No Changes

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfers of Receivables Reported as Sales

No Changes

B. Transfer and servicing of financial assets

No Changes

C. Wash Sales

No Changes

18. Gain or Loss to the Reporting Entity from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

No Changes

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

No Changes

NOTES TO FINANCIAL STATEMENTS

20. Fair Value

(A) The following tables summarize the Company's investments carried at fair value by their fair value hierarchy levels for the period ending September 30, 2016:

(1) Fair Value Measurement at Reporting Date

| Description for each class of asset or liability | (Level 1)      | (Level 2)      | (Level 3) | Total          |
|--------------------------------------------------|----------------|----------------|-----------|----------------|
| a. Assets at fair value                          |                |                |           |                |
| Perpetual Preferred Stock                        |                |                |           |                |
| Industrial and Misc                              | \$             | \$ 35,871,917  | \$        | \$ 35,871,917  |
| Total Perpetual Preferred Stocks                 | \$ -           | \$ 35,871,917  | \$ -      | \$ 35,871,917  |
| Bonds                                            |                |                |           |                |
| Industrial and Misc                              | \$             | \$ 7,315,793   | \$        | \$ 7,315,793   |
| Total Bonds                                      | \$ -           | \$ 7,315,793   | \$ -      | \$ 7,315,793   |
| Common Stock                                     |                |                |           |                |
| Industrial and Misc                              | \$ 139,499,792 | \$ 323,957,849 | \$ 25,019 | \$ 463,482,660 |
| Total Common Stock                               | \$ 139,499,792 | \$ 323,957,849 | \$ 25,019 | \$ 463,482,660 |
| Derivative Assets                                |                |                |           |                |
| Foreign exchange contracts                       | \$             | \$             | \$        | \$ -           |
| Total Derivatives                                | \$ -           | \$ -           | \$ -      | \$ -           |
| Total assets at fair value                       | \$ 139,499,792 | \$ 367,145,559 | \$ 25,019 | \$ 506,670,370 |
| b. Liabilities at fair value                     |                |                |           |                |
| Derivative Liabilities                           | \$             | \$             | \$        | \$ -           |
| Total liabilities at fair value                  | \$ -           | \$ -           | \$ -      | \$ -           |

There were no transfers of perpetual preferred stock between levels 1 and 2.

(2) Fair Value Measurements in (Level 3) of Fair Value Hierarchy

| Description                               | Ending Balance as of Prior Quarter End | Transfers into Level 3 | Transfers out of Level 3 | Total gains and (losses) included in Net Income | Total gains and (losses) included in Surplus | Purchases | Issuances | Sales | Settlements | Ending Balance as of Current Quarter End |
|-------------------------------------------|----------------------------------------|------------------------|--------------------------|-------------------------------------------------|----------------------------------------------|-----------|-----------|-------|-------------|------------------------------------------|
| a. Assets:                                |                                        |                        |                          |                                                 |                                              |           |           |       |             |                                          |
| Bonds                                     |                                        |                        |                          |                                                 |                                              |           |           |       |             |                                          |
| Industrial & Miscellaneous (Unaffiliated) |                                        |                        |                          |                                                 |                                              |           |           |       |             | -                                        |
| Common Stock                              |                                        |                        |                          |                                                 |                                              |           |           |       |             |                                          |
| Industrial & Miscellaneous (Unaffiliated) | 25,019                                 |                        |                          |                                                 |                                              |           |           |       |             | 25,019                                   |
|                                           |                                        |                        |                          |                                                 |                                              |           |           |       |             |                                          |
|                                           |                                        |                        |                          |                                                 |                                              |           |           |       |             |                                          |
|                                           |                                        |                        |                          |                                                 |                                              |           |           |       |             |                                          |
| Total Assets                              | 25,019                                 | -                      | -                        | -                                               | -                                            | -         | -         | -     | -           | 25,019                                   |
| b. Liabilities                            |                                        |                        |                          |                                                 |                                              |           |           |       |             |                                          |
|                                           |                                        |                        |                          |                                                 |                                              |           |           |       |             | -                                        |
|                                           |                                        |                        |                          |                                                 |                                              |           |           |       |             | -                                        |
|                                           |                                        |                        |                          |                                                 |                                              |           |           |       |             | -                                        |
| Total Liabilities                         | -                                      | -                      | -                        | -                                               | -                                            | -         | -         | -     | -           | -                                        |

(3) Transfers are recognized at the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

(4) The Company obtains the fair value of financial instruments held in its portfolio from various sources. These sources include published market quotes for active market exchange traded instruments, third party pricing vendors, investment banks which are lead market makers in certain markets, broker quotes and the use of internal valuation models that use market observable inputs when available and Company derived inputs when external inputs are not available or deemed to be inaccurate.

*Bonds:*  
Estimated fair values for bonds, other than private placement securities, are based on values provided by a third party pricing vendor using primarily observable market inputs. Observable inputs include benchmark yields, reported trades, market dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data.

*Preferred Stock:*  
Estimated fair values for preferred stock, other than private placement securities, are based on values provided by a third party pricing vendor using primarily observable market inputs. Observable inputs include benchmark yields, reported trades, market dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. Preferred stock is carried at fair value if impaired during the reporting period or carried at lower of cost or fair value based on the rating assigned by the SVO.

*Common Stock:*  
Estimated fair value for unaffiliated common stock is determined using a quoted market price where available. When the Company cannot obtain a quoted market price directly, it relies on values provided by a third party pricing vendor, or values determined by estimates and assumptions based on internally derived information. The pricing vendor values these securities using observable market inputs, including reported trades, market dealer quotes, bids, offers and reference data. The fair value of common stock was \$463,482,659 at September 30, 2016. \$139,499,792 was valued based on quoted market prices from an active market for that identical investment and \$323,957,849 was valued based on quotes from third party pricing vendors for identical investments in markets that are not actively traded, or for similar investments that are actively traded and model derived valuations whose inputs are observable or whose significant value drivers are observable. Common stocks with an aggregate fair value of \$25,019 were determined by using estimates and assumptions based on internally derived information.

*Mortgage Loans:*  
The estimated fair value of the mortgage loan portfolio is derived primarily using a loan value matrix using significant unobservable inputs. The inputs used in the matrix include (1) the weighted average cash flow and average term to maturity for each individual loan; (2) a base spread over the U.S. Treasury rate and (3) an internally computed credit rating that is used to derive the appropriate credit spread. At September 30, 2016, there were no mortgage loans carried at fair value.

*Real Estate:*  
Real estate properties that are designated as held for sale are carried on the balance sheet at the lower of their depreciated cost basis adjusted for any previous impairment write-downs or fair value less cost to sell. At September 30, 2016, the Company had no property in the held for sale category. The fair value of this property is based on what management believes to be a market price based on a bid received at auction from a third party.

*Derivatives:*  
Derivative instruments are valued through the use of quoted market prices for exchange-traded derivatives (Level 1), third party pricing model and a third party pricing service for over-the-counter (“OTC”) traded derivatives (Level 2) and by using internally developed estimates and assumptions when no quoted market price or third party vendor price is available.

- (14) Not applicable
- B. Not applicable
- C. Aggregate fair value for all financial instruments and the level within the fair value hierarchy in which the fair value measurements in their entirety fall.

| Type of Financial Instrument | Aggregate Fair Value | Admitted Assets   | (Level 1)        | (Level 2)         | (Level 3)        | Not Practicable (Carrying Value) |
|------------------------------|----------------------|-------------------|------------------|-------------------|------------------|----------------------------------|
| Bonds                        | \$ 37,748,835,761    | \$ 34,802,265,384 | \$ 1,403,951,750 | \$ 33,932,200,480 | \$ 2,412,683,531 |                                  |
| Common Stock                 | 463,482,660          | 463,482,660       | 139,499,792      | 323,957,849       | 25,019           |                                  |
| Perpetual Preferred Stock    | 125,518,469          | 115,634,085       | -                | 94,579,704        | 30,938,765       |                                  |
| Mortgage Loans               | 3,640,694,115        | 3,423,789,432     | -                | -                 | 3,640,694,115    |                                  |
| Derivative Assets            | -                    | -                 | -                | -                 | -                |                                  |
| Derivative Liabilities       | \$ -                 | \$ -              | \$ -             | \$ -              | \$ -             |                                  |

D. Not applicable

NOTES TO FINANCIAL STATEMENTS

21. Other Items

- A. Unusual or Infrequent Items  
No Changes
- B. Trouble Debt Restructuring: Debtors  
No Changes.
- C. Other disclosures  
No Changes
- D. Business Interruption Insurance Recoveries  
No Changes
- E. State Transferable and Non-Transferable Tax Credits  
No Changes
- F. Sub-prime, Alt-A and other Below-prime Mortgage Related Risk Exposure  
No Changes
- G. Retained Assets  
No Changes
- H. Not Applicable

22. Events Subsequent

No changes

23. Reinsurance

No Changes

24. Retrospectively Rated Contracts & Contracts Subject to Re-determination

- A. Not applicable.
- B. Not applicable.
- C. Not applicable.
- D. No change.
- E. Not Applicable

25. Change in Incurred Losses and Loss Adjustment Expenses

Activity in the liability for unpaid accident & health claims and claim reserves is summarized as follows:

|                                                                                                  | Six months ended<br>06/30/2016 | Year ended<br>12/31/2015 |
|--------------------------------------------------------------------------------------------------|--------------------------------|--------------------------|
| Balance of Unpaid A&H Claims and Claim Reserves, net of Reinsurance Recoverable at January 1     | \$ 3,574,645,654               | \$ 3,299,904,495         |
| Incurred related to:                                                                             |                                |                          |
| Current year                                                                                     | 1,785,810,138                  | 2,288,854,945            |
| Prior year                                                                                       | (82,149,670)                   | (75,196,055)             |
| Total incurred                                                                                   | 1,703,660,468                  | 2,213,658,889            |
| Paid related to:                                                                                 |                                |                          |
| Current year                                                                                     | 1,130,136,932                  | 1,459,024,150            |
| Prior year                                                                                       | 443,806,215                    | 479,893,581              |
| Total paid                                                                                       | 1,573,943,146                  | 1,938,917,730            |
| Balance of Unpaid A&H Claims and Claim Reserves, net of Reinsurance Recoverable at June 30, 2016 | \$ 3,704,362,976               | \$ 3,574,645,656         |

**NOTES TO FINANCIAL STATEMENTS**

**26. Intercompany Pooling Arrangements**

No Changes

**27. Structured Settlements**

No Changes

**28. Health Care Receivables**

No Changes

**29. Participating Policies**

No Changes

**30. Premium Deficiency Reserve - Health**

Not applicable

**31. Reserves for Life Contracts and Deposit-Type Contracts**

No Changes

**32. Analysis of Annuity Actuarial Reserves and Deposit Liabilities by Withdrawal Characteristics**

No Changes

**33. Premium and Annuity Considerations Deferred and Uncollected**

No Changes

**34. Separate Accounts**

No Changes

**35. Loss/Claim Adjustment Expenses**

No Changes

STATEMENT AS OF SEPTEMBER 30, 2016 OF THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1

Did the reporting entity experience any material transactions requiring the filing of Disclosure of Material Transactions with the State of Domicile, as required by the Model Act?

Yes [ ] No [ X ]
- 1.2

If yes, has the report been filed with the domiciliary state?

Yes [ ] No [ ]
- 2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [ ] No [ X ]
- 2.2

If yes, date of change:
- 3.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?  
If yes, complete Schedule Y, Parts 1 and 1A.

Yes [ ] No [ X ]
- 3.2

Have there been any substantial changes in the organizational chart since the prior quarter end?

Yes [ ] No [ X ]
- 3.3

If the response to 3.2 is yes, provide a brief description of those changes.
- 4.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [ ] No [ X ]
- 4.2

If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

|                     |                        |                        |
|---------------------|------------------------|------------------------|
| 1<br>Name of Entity | 2<br>NAIC Company Code | 3<br>State of Domicile |
|                     |                        |                        |
5.

If the reporting entity is subject to a management agreement, including third-party administrator(s), managing general agent(s), attorney-in-fact, or similar agreement, have there been any significant changes regarding the terms of the agreement or principals involved?  
If yes, attach an explanation.

Yes [ ] No [ X ] N/A [ ]
- 6.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2013
- 6.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2013
- 6.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/19/2015
- 6.4

By what department or departments?  
New York State Department of Financial Services
- 6.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments?

Yes [ X ] No [ ] N/A [ ]
- 6.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes [ X ] No [ ] N/A [ ]
- 7.1

Has this reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [ ] No [ X ]
- 7.2

If yes, give full information:
- 8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [ ] No [ X ]
- 8.2

If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [ X ] No [ ]
- 8.4

If response to 8.3 is yes, please provide below the names and location (city and state of the main office) of any affiliates regulated by a federal regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

|                                        |                             |          |          |           |          |
|----------------------------------------|-----------------------------|----------|----------|-----------|----------|
| 1<br>Affiliate Name                    | 2<br>Location (City, State) | 3<br>FRB | 4<br>OCC | 5<br>FDIC | 6<br>SEC |
| Park Avenue Institutional Advisers LLC | New York, NY                | NO       | NO       | NO        | YES      |
| Park Avenue Securities LLC             | New York, NY                | NO       | NO       | NO        | YES      |
| RS Investment Management Co. LLC       | San Francisco, CA           | NO       | NO       | NO        | YES      |
| RS Funds Distributor LLC               | San Francisco, CA           | NO       | NO       | NO        | YES      |

STATEMENT AS OF SEPTEMBER 30, 2016 OF THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

GENERAL INTERROGATORIES

- 9.1

Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? .....  
(a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;  
(b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;  
(c) Compliance with applicable governmental laws, rules and regulations;  
(d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and  
(e) Accountability for adherence to the code.

Yes [ X ] No [ ]
- 9.11

If the response to 9.1 is No, please explain:
- 9.2

Has the code of ethics for senior managers been amended? .....

Yes [ ] No [ X ]
- 9.21

If the response to 9.2 is Yes, provide information related to amendment(s).
- 9.3

Have any provisions of the code of ethics been waived for any of the specified officers? .....

Yes [ ] No [ X ]
- 9.31

If the response to 9.3 is Yes, provide the nature of any waiver(s).

FINANCIAL

- 10.1

Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? .....

Yes [ X ] No [ ]
- 10.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount: .....

\$ .....

INVESTMENT

- 11.1

Were any of the stocks, bonds, or other assets of the reporting entity loaned, placed under option agreement, or otherwise made available for use by another person? (Exclude securities under securities lending agreements.) .....

Yes [ X ] No [ ]
- 11.2

If yes, give full and complete information relating thereto:  
US Treasury Par Value of 20,710,000  
Emoney preferred stock book value 25,986,092
12.

Amount of real estate and mortgages held in other invested assets in Schedule BA: .....

\$ .....
13.

Amount of real estate and mortgages held in short-term investments: .....

\$ .....
- 14.1

Does the reporting entity have any investments in parent, subsidiaries and affiliates? .....

Yes [ X ] No [ ]
- 14.2

If yes, please complete the following:
- |                                                                                                     | 1                                                 | 2                                                  |
|-----------------------------------------------------------------------------------------------------|---------------------------------------------------|----------------------------------------------------|
|                                                                                                     | Prior Year-End<br>Book/Adjusted<br>Carrying Value | Current Quarter<br>Book/Adjusted<br>Carrying Value |
| 14.21 Bonds .....                                                                                   | \$ 14,124,961                                     | \$ .....                                           |
| 14.22 Preferred Stock .....                                                                         | \$ .....                                          | \$ .....                                           |
| 14.23 Common Stock .....                                                                            | \$ 972,555,486                                    | \$ 1,129,807,062                                   |
| 14.24 Short-Term Investments .....                                                                  | \$ .....                                          | \$ .....                                           |
| 14.25 Mortgage Loans on Real Estate .....                                                           | \$ .....                                          | \$ .....                                           |
| 14.26 All Other .....                                                                               | \$ 653,993,741                                    | \$ 681,657,368                                     |
| 14.27 Total Investment in Parent, Subsidiaries and Affiliates (Subtotal Lines 14.21 to 14.26) ..... | \$ 1,640,674,188                                  | \$ 1,811,464,430                                   |
| 14.28 Total Investment in Parent included in Lines 14.21 to 14.26 above .....                       | \$ .....                                          | \$ .....                                           |
- 15.1

Has the reporting entity entered into any hedging transactions reported on Schedule DB? .....

Yes [ X ] No [ ]
- 15.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? .....  
If no, attach a description with this statement.

Yes [ X ] No [ ]

STATEMENT AS OF SEPTEMBER 30, 2016 OF THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

GENERAL INTERROGATORIES

16. For the reporting entity's security lending program, state the amount of the following as of the current statement date:
- 16.1

Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2

\$
- 16.2

Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2

\$
- 16.3

Total payable for securities lending reported on the liability page

\$

17. Excluding items in Schedule E - Part 3 - Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes ☒ No ☐

- 17.1 For all agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

| 1<br>Name of Custodian(s) | 2<br>Custodian Address                        |
|---------------------------|-----------------------------------------------|
| JP Morgan Chase           | 270 Park Avenue, Floor 41, New York, NY 10017 |

- 17.2 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

| 1<br>Name(s) | 2<br>Location(s) | 3<br>Complete Explanation(s) |
|--------------|------------------|------------------------------|
|              |                  |                              |

- 17.3 Have there been any changes, including name changes, in the custodian(s) identified in 17.1 during the current quarter? Yes ☐ No ☒

- 17.4 If yes, give full information relating thereto:

| 1<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>Reason |
|--------------------|--------------------|---------------------|-------------|
|                    |                    |                     |             |

- 17.5 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

| 1<br>Central Registration Depository | 2<br>Name(s) | 3<br>Address |
|--------------------------------------|--------------|--------------|
|                                      |              |              |

- 18.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Investment Analysis Office been followed? Yes ☐ No ☒

- 18.2 If no, list exceptions:



| CUSIP         | Description                              | Interest | Maturity   |
|---------------|------------------------------------------|----------|------------|
| 008474B#4     | AGNICO EAGLE MINES LIMITED               | 4.54     | 06/30/2023 |
| 008474C*7     | AGNICO EAGLE MINES LIMITED               | 4.84     | 06/30/2026 |
| 00855@AC8     | AGREE LIMITED PARTNERSHIP                | 4.42     | 07/28/2028 |
| 01885@AB2     | ALLIANCE RESOURCE OPERATING PARTNERS L.P | 6.72     | 06/26/2018 |
| 29364@107     | ENTERGY UTILITY HOLDING COMPANY          | 7.50     | 01/01/2036 |
| 44416*AB2     | HUDSON TRANSMISSION MISSION PARTNERS     | 4.41     | 05/23/2033 |
| 466313A@2     | JABIL CIRCUIT, INC                       | 4.90     | 07/14/2023 |
| 53621 @AG1    | LION INDUSTRIAL PROPERTIES, LP           | 4.14     | 09/01/2026 |
| 55280MAA4     | MAS GEORGIA LFG, LLC                     | 5.00     | 12/01/2035 |
| 59048@AA6     | MESA AIRLINES INC                        | 4.75     | 01/15/2028 |
| 646025C*5     | NEW JERSEY RESOURCES CORP.               | 3.54     | 08/18/2026 |
| 66285WSW7     | N TX TOLLWAY AUTH REVENUE                | 5.63     | 01/01/2033 |
| 84857LA*2     | SPIRE INC.                               | 2.49     | 09/01/2021 |
| 84857LA@0     | SPIRE INC.                               | 3.11     | 09/01/2026 |
| 88150*AC7     | TERRENO REALTY LLC                       | 3.99     | 07/07/2026 |
| 90226#AA3     | 2014 REPLACEMENT POWER STATUTORY TRUST ( | 3.85     | 05/31/2029 |
| 91854*AA4     | VERIZON CTL-HIDDEN RIDGE PRIV PLACE      | 3.62     | 07/31/2036 |
| 96928#AH6     | WILLIAM BLAIR & COMPANY SERIES 2006-A    | 6.13     | 01/15/2032 |
| AC0516164     | LION INDUSTRIAL PROPERTIES               | 3.99     | 05/16/2026 |
| BK0428163     | STORE CAPITAL CORPORATION                | 4.73     | 04/28/2026 |
| BS0414166     | AIA COLCHIS LLC                          | 4.46     | 12/31/2031 |
| EB1120139     | KEYERA PARNTERSHIP                       | 4.75     | 11/20/2025 |
| G2765@AA0     | DIONYSUS AVIATION LIMITED                | 4.19     | 08/02/2021 |
| G2765@AB8     | DIONYSUS AVIATION LIMITED                | 4.71     | 08/02/2023 |
| G2890*AA0     | ED&F MAN TREASURY MANAGEMENT PLC         | 4.39     | 05/26/2021 |
| G2890*AB8     | ED&F MAN TREASURY MANAGEMENT PLC         | 4.79     | 05/26/2023 |
| G5963#AH6     | MEGGITT PLC                              | 3.60     | 07/06/2026 |
| G6970*AJ5     | PEEL PORTS PP FINANCE LIMITED            | 3.45     | 01/31/2027 |
| G9850@AG8     | YORKSHIRE WATER SERVICES                 | 5.07     | 01/05/2022 |
| GF0809160     | MEPT EDGEMOOR OPERATING LP               | 3.43     | 06/29/2023 |
| GF0809616     | MEPT EDGEMOOR OPERATING LP               | 3.76     | 06/29/2028 |
| P3515*AA3     | FIBRA MACQUARIE MEXICO                   | 5.55     | 06/27/2023 |
| Q0332#AA5     | AMPACET AUSTRALIA PTY LTD                | 4.88     | 02/18/2024 |
| Q0332#AB3     | AMPACET AUSTRALIA PTY LTD                | 4.88     | 02/18/2025 |
| Q0332#AC1     | AMPACET AUSTRALIA PTY LTD                | 4.88     | 02/18/2026 |
| Q3915*AC4     | FLETCHER BUILDING LIMITED                | 3.70     | 07/20/2026 |
| Q3915*AD2     | FLETCHER BUILDING LIMITED                | 3.80     | 07/20/2028 |
| Q4557*AB7     | HEALTHSCOPE FINANCE PTY LTD PRIV PLACE   | 4.05     | 05/23/2026 |
| TD0217167     | PRUDENTIAL INSURANCE CO OF AMERICA       | 4.35     | 02/17/2025 |
| TD0217613     | PRUDENTIAL INSURANCE CO OF AMERICA       | 4.42     | 02/17/2026 |
| TD0720160     | PORTERBROOK RAIL FINANCE LIMITED         | 3.18     | 07/20/2028 |
| TOTAL ISSUES: |                                          | 41       |            |

THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

Preferred Stocks Not Filed with the SVO

As of September 30, 2016

EXHIBIT A

| <u>CUSIP</u> | <u>Description</u> |      |
|--------------|--------------------|------|
| EMONEY127    | EMONEY PREFER STK  | 0.00 |
|              | TOTAL ISSUES:      | 1    |

GENERAL INTERROGATORIES

PART 2 - LIFE & HEALTH

1.

Report the statement value of mortgage loans at the end of this reporting period for the following categories:

1

Amount

1.1

Long-Term Mortgages In Good Standing

1.11

Farm Mortgages

\$

1.12

Residential Mortgages

\$

1.13

Commercial Mortgages

\$

3,414,932,190

1.14

Total Mortgages in Good Standing

\$

3,414,932,190

1.2

Long-Term Mortgages In Good Standing with Restructured Terms

1.21

Total Mortgages in Good Standing with Restructured Terms

\$

1.3

Long-Term Mortgage Loans Upon which Interest is Overdue more than Three Months

1.31

Farm Mortgages

\$

1.32

Residential Mortgages

\$

1.33

Commercial Mortgages

\$

8,857,223

1.34

Total Mortgages with Interest Overdue more than Three Months

\$

8,857,223

1.4

Long-Term Mortgage Loans in Process of Foreclosure

1.41

Farm Mortgages

\$

1.42

Residential Mortgages

\$

1.43

Commercial Mortgages

\$

1.44

Total Mortgages in Process of Foreclosure

\$

1.5

Total Mortgage Loans (Lines 1.14 + 1.21 + 1.34 + 1.44) (Page 2, Column 3, Lines 3.1 + 3.2)

\$

3,423,789,413

1.6

Long-Term Mortgages Foreclosed, Properties Transferred to Real Estate in Current Quarter

1.61

Farm Mortgages

\$

1.62

Residential Mortgages

\$

1.63

Commercial Mortgages

\$

1.64

Total Mortgages Foreclosed and Transferred to Real Estate

\$

2.

Operating Percentages:

2.1

A&H loss percent

68.000 %

2.2

A&H cost containment percent

0.000 %

2.3

A&H expense percent excluding cost containment expenses

33.000 %

3.1

Do you act as a custodian for health savings accounts?

Yes [ ] No [ X ]

3.2

If yes, please provide the amount of custodial funds held as of the reporting date

\$

3.3

Do you act as an administrator for health savings accounts?

Yes [ ] No [ X ]

3.4

If yes, please provide the balance of the funds administered as of the reporting date

\$



STATEMENT AS OF SEPTEMBER 30, 2016 OF THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

**SCHEDULE T - PREMIUMS AND ANNUITY CONSIDERATIONS**

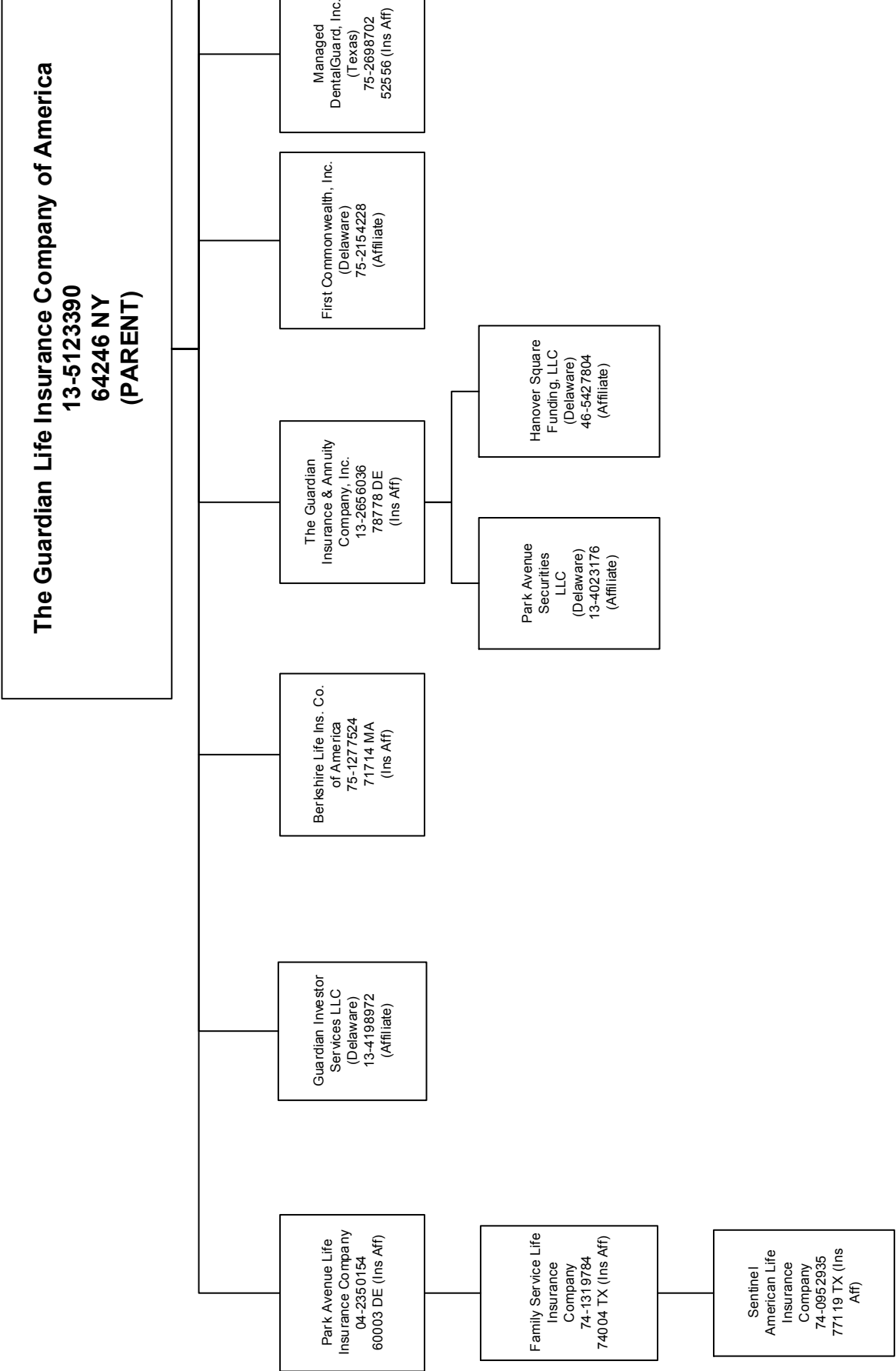
Current Year To Date - Allocated by States and Territories

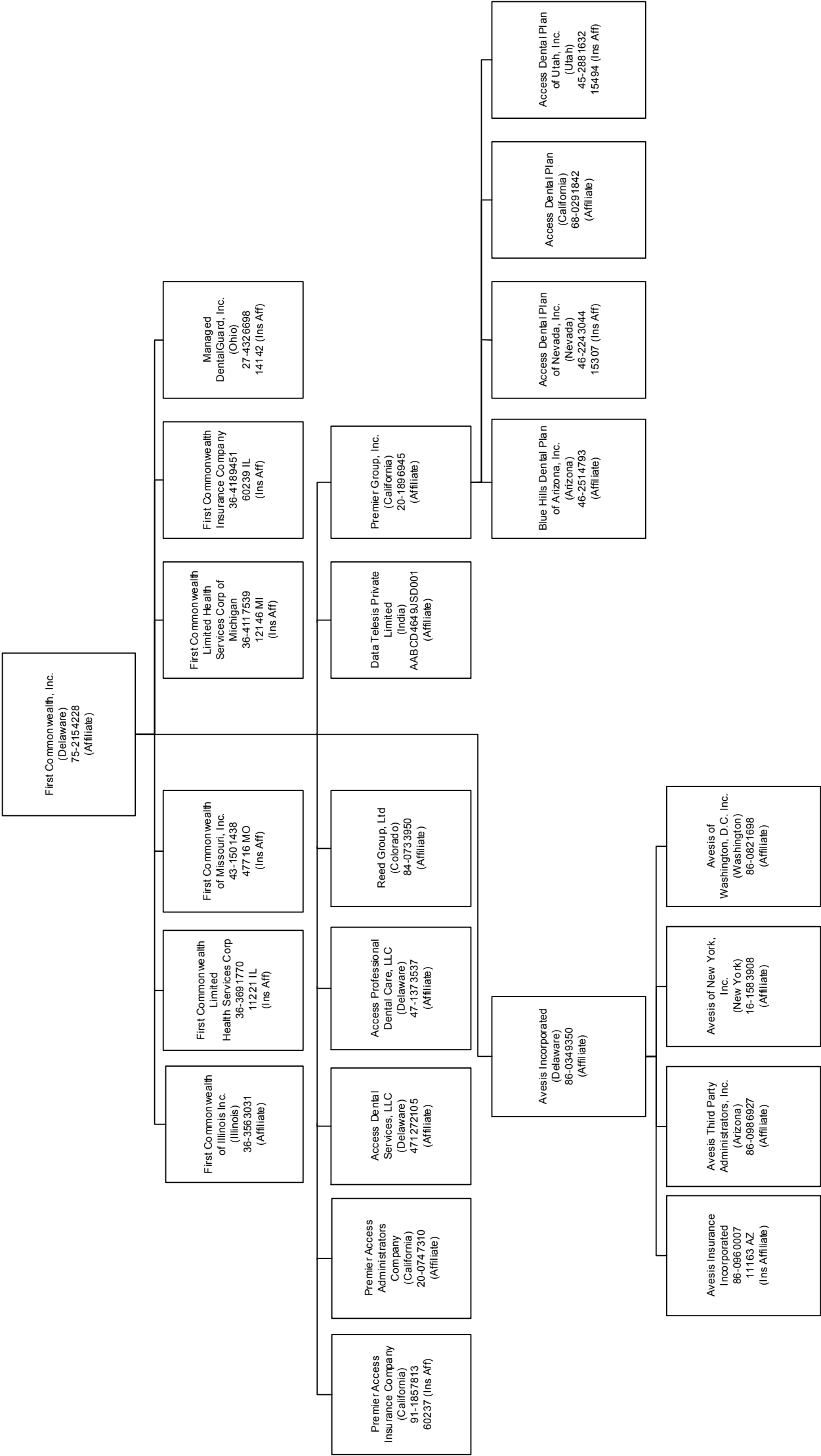
| States, Etc.         |                                                                                              |        | 1             | Direct Business Only    |                        |                                                                                     |                      |                           |                        |
|----------------------|----------------------------------------------------------------------------------------------|--------|---------------|-------------------------|------------------------|-------------------------------------------------------------------------------------|----------------------|---------------------------|------------------------|
|                      |                                                                                              |        |               | Life Contracts          |                        | 4                                                                                   | 5                    | 6                         | 7                      |
|                      |                                                                                              |        |               | 2                       | 3                      |                                                                                     |                      |                           |                        |
|                      |                                                                                              |        | Active Status | Life Insurance Premiums | Annuity Considerations | Accident and Health Insurance Premiums, Including Policy, Membership and Other Fees | Other Considerations | Total Columns 2 Through 5 | Deposit-Type Contracts |
| 1.                   | Alabama .....                                                                                | AL     | L             | 26,132,176              |                        | 31,275,878                                                                          |                      | 57,408,055                |                        |
| 2.                   | Alaska .....                                                                                 | AK     | L             | 1,757,211               |                        | 3,653,769                                                                           |                      | 5,410,980                 |                        |
| 3.                   | Arizona .....                                                                                | AZ     | L             | 25,580,745              |                        | 22,064,553                                                                          |                      | 47,645,299                |                        |
| 4.                   | Arkansas .....                                                                               | AR     | L             | 7,628,044               |                        | 12,140,171                                                                          |                      | 19,768,215                |                        |
| 5.                   | California .....                                                                             | CA     | L             | 165,293,906             | 730,799                | 306,539,907                                                                         |                      | 472,564,612               |                        |
| 6.                   | Colorado .....                                                                               | CO     | L             | 31,796,758              | 67,404                 | 19,215,855                                                                          |                      | 51,080,017                |                        |
| 7.                   | Connecticut .....                                                                            | CT     | L             | 66,642,534              |                        | 30,743,933                                                                          |                      | 97,386,467                |                        |
| 8.                   | Delaware .....                                                                               | DE     | L             | 9,963,845               |                        | 4,178,286                                                                           |                      | 14,142,131                |                        |
| 9.                   | District of Columbia .....                                                                   | DC     | L             | 7,538,931               | 176,878                | 14,883,994                                                                          |                      | 22,599,802                |                        |
| 10.                  | Florida .....                                                                                | FL     | L             | 194,468,148             | 1,242,736              | 183,774,467                                                                         |                      | 379,485,351               |                        |
| 11.                  | Georgia .....                                                                                | GA     | L             | 96,027,633              | 1,343,652              | 74,469,309                                                                          |                      | 171,840,594               | 608                    |
| 12.                  | Hawaii .....                                                                                 | HI     | L             | 22,293,280              |                        | 4,091,128                                                                           |                      | 26,384,408                |                        |
| 13.                  | Idaho .....                                                                                  | ID     | L             | 2,035,813               |                        | 1,651,180                                                                           |                      | 3,686,994                 |                        |
| 14.                  | Illinois .....                                                                               | IL     | L             | 72,513,202              | 196,674                | 128,989,377                                                                         |                      | 201,699,253               |                        |
| 15.                  | Indiana .....                                                                                | IN     | L             | 35,644,141              |                        | 46,757,175                                                                          |                      | 82,401,316                |                        |
| 16.                  | Iowa .....                                                                                   | IA     | L             | 21,412,167              |                        | 4,305,216                                                                           |                      | 25,717,383                |                        |
| 17.                  | Kansas .....                                                                                 | KS     | L             | 6,629,909               |                        | 12,951,492                                                                          |                      | 19,581,401                |                        |
| 18.                  | Kentucky .....                                                                               | KY     | L             | 17,246,643              | 555                    | 25,339,990                                                                          |                      | 42,587,189                |                        |
| 19.                  | Louisiana .....                                                                              | LA     | L             | 32,801,971              | 49,999                 | 27,146,773                                                                          |                      | 59,998,743                |                        |
| 20.                  | Maine .....                                                                                  | ME     | L             | 5,784,302               |                        | 1,548,546                                                                           |                      | 7,332,848                 |                        |
| 21.                  | Maryland .....                                                                               | MD     | L             | 53,200,440              |                        | 43,600,986                                                                          |                      | 96,801,426                |                        |
| 22.                  | Massachusetts .....                                                                          | MA     | L             | 116,998,582             | 276,370                | 61,994,032                                                                          |                      | 179,268,984               | 306,564                |
| 23.                  | Michigan .....                                                                               | MI     | L             | 34,867,958              | 35,782                 | 68,884,200                                                                          |                      | 103,787,940               |                        |
| 24.                  | Minnesota .....                                                                              | MN     | L             | 44,553,074              | 102,928                | 15,929,672                                                                          |                      | 60,585,674                |                        |
| 25.                  | Mississippi .....                                                                            | MS     | L             | 16,492,808              |                        | 24,548,981                                                                          |                      | 41,041,788                |                        |
| 26.                  | Missouri .....                                                                               | MO     | L             | 23,396,747              |                        | 52,049,150                                                                          |                      | 75,445,896                |                        |
| 27.                  | Montana .....                                                                                | MT     | L             | 8,271,601               |                        | 6,047,893                                                                           |                      | 14,319,494                |                        |
| 28.                  | Nebraska .....                                                                               | NE     | L             | 6,468,397               | 190,762                | 5,803,856                                                                           |                      | 12,463,015                |                        |
| 29.                  | Nevada .....                                                                                 | NV     | L             | 19,333,400              |                        | 21,155,826                                                                          |                      | 40,489,226                |                        |
| 30.                  | New Hampshire .....                                                                          | NH     | L             | 15,146,207              |                        | 5,589,016                                                                           |                      | 20,735,223                |                        |
| 31.                  | New Jersey .....                                                                             | NJ     | L             | 286,720,794             | 944,626                | 87,041,571                                                                          |                      | 374,706,991               | 10,481                 |
| 32.                  | New Mexico .....                                                                             | NM     | L             | 3,405,750               |                        | 2,930,202                                                                           |                      | 6,335,952                 |                        |
| 33.                  | New York .....                                                                               | NY     | L             | 641,165,945             | 2,597,294              | 298,589,854                                                                         |                      | 942,353,093               |                        |
| 34.                  | North Carolina .....                                                                         | NC     | L             | 60,358,751              |                        | 53,831,044                                                                          |                      | 114,189,795               | 64,074                 |
| 35.                  | North Dakota .....                                                                           | ND     | L             | 6,251,989               |                        | 1,856,053                                                                           |                      | 8,108,041                 |                        |
| 36.                  | Ohio .....                                                                                   | OH     | L             | 90,413,198              | 180,726                | 94,645,096                                                                          |                      | 185,239,020               |                        |
| 37.                  | Oklahoma .....                                                                               | OK     | L             | 13,259,528              |                        | 16,288,837                                                                          |                      | 29,548,365                |                        |
| 38.                  | Oregon .....                                                                                 | OR     | L             | 23,576,086              |                        | 18,512,085                                                                          |                      | 42,088,171                |                        |
| 39.                  | Pennsylvania .....                                                                           | PA     | L             | 148,887,210             | 94,359                 | 95,024,430                                                                          |                      | 244,005,999               |                        |
| 40.                  | Rhode Island .....                                                                           | RI     | L             | 5,589,467               | 40,176                 | 1,404,637                                                                           |                      | 7,034,280                 |                        |
| 41.                  | South Carolina .....                                                                         | SC     | L             | 27,203,657              |                        | 39,833,560                                                                          |                      | 67,037,217                |                        |
| 42.                  | South Dakota .....                                                                           | SD     | L             | 2,444,809               |                        | 2,132,739                                                                           |                      | 4,577,549                 |                        |
| 43.                  | Tennessee .....                                                                              | TN     | L             | 32,052,087              | 467,648                | 36,867,043                                                                          |                      | 69,386,779                |                        |
| 44.                  | Texas .....                                                                                  | TX     | L             | 131,237,980             | 270,924                | 195,164,657                                                                         |                      | 326,673,560               |                        |
| 45.                  | Utah .....                                                                                   | UT     | L             | 11,845,475              |                        | 5,380,622                                                                           |                      | 17,226,097                |                        |
| 46.                  | Vermont .....                                                                                | VT     | L             | 2,088,846               | 225                    | 880,921                                                                             |                      | 2,969,992                 |                        |
| 47.                  | Virginia .....                                                                               | VA     | L             | 58,488,392              | 223,334                | 60,141,210                                                                          |                      | 118,852,936               |                        |
| 48.                  | Washington .....                                                                             | WA     | L             | 17,135,943              |                        | 14,632,656                                                                          |                      | 31,768,600                |                        |
| 49.                  | West Virginia .....                                                                          | WV     | L             | 6,760,310               |                        | 11,903,149                                                                          |                      | 18,663,459                |                        |
| 50.                  | Wisconsin .....                                                                              | WI     | L             | 23,200,534              |                        | 19,848,151                                                                          |                      | 43,048,685                |                        |
| 51.                  | Wyoming .....                                                                                | WY     | L             | 2,386,066               |                        | 1,750,342                                                                           |                      | 4,136,408                 |                        |
| 52.                  | American Samoa .....                                                                         | AS     | N             | 1,597                   |                        | 1,503                                                                               |                      | 3,100                     |                        |
| 53.                  | Guam .....                                                                                   | GU     | N             |                         |                        |                                                                                     |                      |                           |                        |
| 54.                  | Puerto Rico .....                                                                            | PR     | N             | 132,394                 |                        | 34,591                                                                              |                      | 166,985                   |                        |
| 55.                  | U.S. Virgin Islands .....                                                                    | VI     | N             | 2,321                   |                        | 11,881                                                                              |                      | 14,203                    |                        |
| 56.                  | Northern Mariana Islands .....                                                               | MP     | N             |                         |                        |                                                                                     |                      |                           |                        |
| 57.                  | Canada .....                                                                                 | CAN    | N             | 68,659                  |                        | 48,843                                                                              |                      | 117,502                   |                        |
| 58.                  | Aggregate Other Aliens .....                                                                 | OT     | XXX           | 14,023,592              |                        | 49,753                                                                              |                      | 14,073,345                |                        |
| 59.                  | Subtotal .....                                                                               | (a) 51 |               | 2,796,621,956           | 9,233,851              | 2,320,130,040                                                                       |                      | 5,125,985,847             | 381,726                |
| 90.                  | Reporting entity contributions for employee benefits plans .....                             | XXX    |               | 1,628,913               |                        | 472,519                                                                             |                      | 2,101,432                 |                        |
| 91.                  | Dividends or refunds applied to purchase paid-up additions and annuities .....               | XXX    |               | 444,575,089             | 444,738                |                                                                                     |                      | 445,019,827               |                        |
| 92.                  | Dividends or refunds applied to shorten endowment or premium paying period .....             | XXX    |               |                         |                        |                                                                                     |                      |                           |                        |
| 93.                  | Premium or annuity considerations waived under disability or other contract provisions ..... | XXX    |               | 12,719,509              |                        | 8,970,369                                                                           |                      | 21,689,878                |                        |
| 94.                  | Aggregate or other amounts not allocable by State .....                                      | XXX    |               | 98,861,649              |                        |                                                                                     |                      | 98,861,649                |                        |
| 95.                  | Totals (Direct Business) .....                                                               | XXX    |               | 3,354,407,115           | 9,678,589              | 2,329,572,928                                                                       |                      | 5,693,658,632             | 381,726                |
| 96.                  | Plus Reinsurance Assumed .....                                                               | XXX    |               | 28,148,339              |                        | 348,412,807                                                                         |                      | 376,561,146               |                        |
| 97.                  | Totals (All Business) .....                                                                  | XXX    |               | 3,382,555,454           | 9,678,589              | 2,677,985,734                                                                       |                      | 6,070,219,778             | 381,726                |
| 98.                  | Less Reinsurance Ceded .....                                                                 | XXX    |               | 197,497,681             |                        | 150,501,704                                                                         |                      | 347,999,386               |                        |
| 99.                  | Totals (All Business) less Reinsurance Ceded .....                                           | XXX    |               | 3,185,057,773           | 9,678,589              | 2,527,484,030                                                                       |                      | 5,722,220,392             | 381,726                |
| DETAILS OF WRITE-INS |                                                                                              |        |               |                         |                        |                                                                                     |                      |                           |                        |
| 58001.               | Other alien .....                                                                            | XXX    |               | 14,023,592              |                        | 49,753                                                                              |                      | 14,073,345                |                        |
| 58002.               | .....                                                                                        | XXX    |               |                         |                        |                                                                                     |                      |                           |                        |
| 58003.               | .....                                                                                        | XXX    |               |                         |                        |                                                                                     |                      |                           |                        |
| 58998.               | Summary of remaining write-ins for Line 58 from overflow page .....                          | XXX    |               |                         |                        |                                                                                     |                      |                           |                        |
| 58999.               | Totals (Lines 58001 through 58003 plus 58998)(Line 58 above) .....                           | XXX    |               | 14,023,592              |                        | 49,753                                                                              |                      | 14,073,345                |                        |
| 9401.                | Paid-up .....                                                                                | XXX    |               | 98,861,649              |                        |                                                                                     |                      | 98,861,649                |                        |
| 9402.                | .....                                                                                        | XXX    |               |                         |                        |                                                                                     |                      |                           |                        |
| 9403.                | .....                                                                                        | XXX    |               |                         |                        |                                                                                     |                      |                           |                        |
| 9498.                | Summary of remaining write-ins for Line 94 from overflow page .....                          | XXX    |               |                         |                        |                                                                                     |                      |                           |                        |
| 9499.                | Totals (Lines 9401 through 9403 plus 9498)(Line 94 above) .....                              | XXX    |               | 98,861,649              |                        |                                                                                     |                      | 98,861,649                |                        |

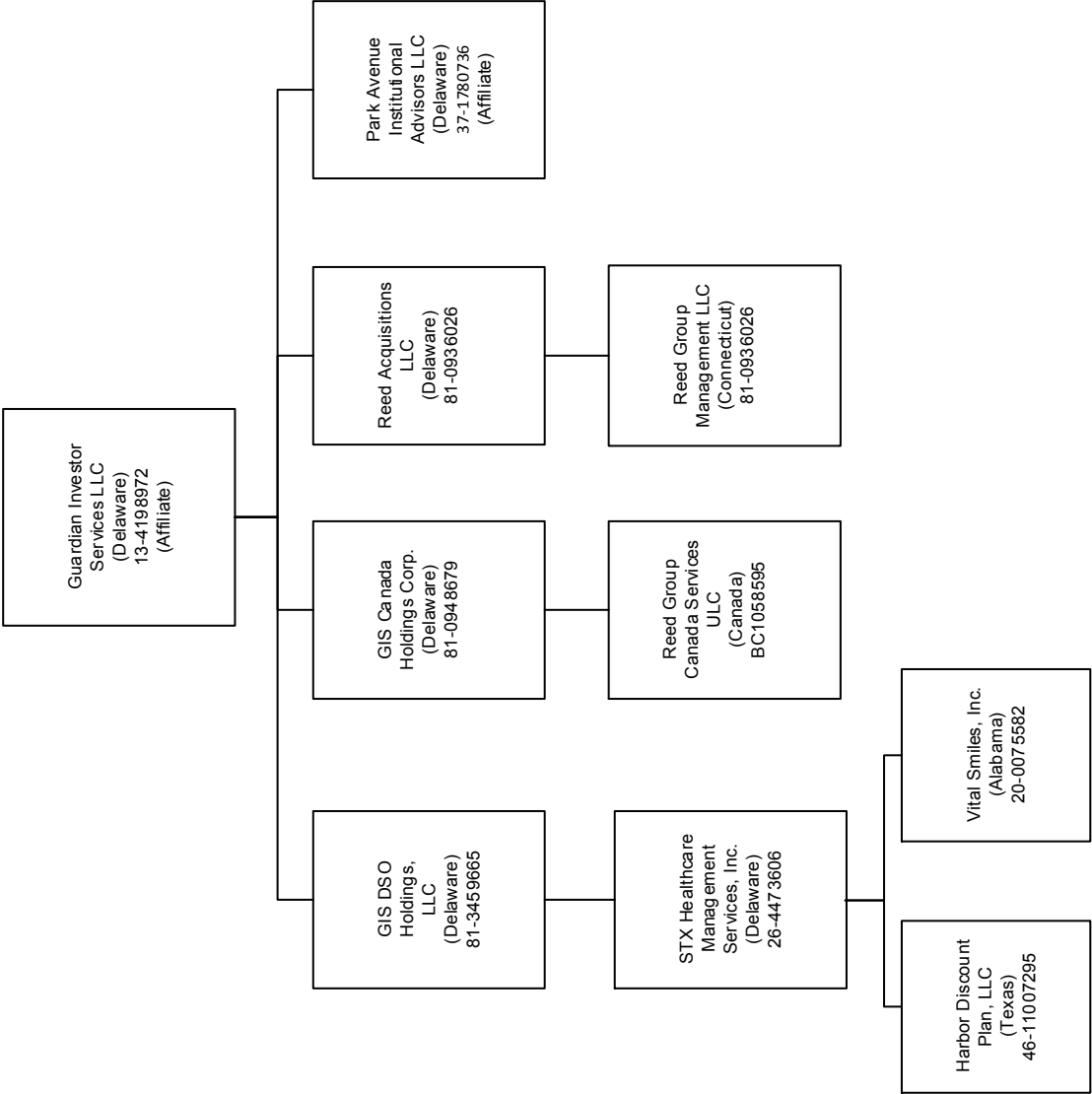
(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

(a) Insert the number of L responses except for Canada and Other Alien.

Premiums and annuity considerations are allocated on the basis of the address which has been designated by the policyholder for premium notice purposes.









STATEMENT AS OF SEPTEMBER 30, 2016 OF THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

SCHEDULE Y

PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

| 1          | 2                                          | 3                 | 4          | 5            | 6          | 7                                                                      | 8                                           | 9                  | 10                                | 11                                             | 12                                                                                 | 13                                      | 14                                         | 15 |
|------------|--------------------------------------------|-------------------|------------|--------------|------------|------------------------------------------------------------------------|---------------------------------------------|--------------------|-----------------------------------|------------------------------------------------|------------------------------------------------------------------------------------|-----------------------------------------|--------------------------------------------|----|
| Group Code | Group Name                                 | NAIC Company Code | ID Number  | Federal RSSD | CIK        | Name of Securities Exchange if Publicly Traded (U.S. or International) | Names of Parent, Subsidiaries Or Affiliates | Domiliary Location | Relation-ship to Reporting Entity | Directly Controlled by (Name of Entity/Person) | Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other) | Control Is Ownership Provide Percentage | Ultimate Controlling Entity(ies)/Person(s) | *  |
| .0429      | The Guardian Life Insurance Co. of America | 64246             | 13-5123390 | 3081309      | 0000901849 |                                                                        | The Guardian Life Insurance Co. of America  | NY                 |                                   | The Guardian Life Insurance Co. of America     |                                                                                    |                                         | The Guardian Life Insurance Co. of America |    |
| .0429      | The Guardian Life Insurance Co. of America | 60003             | 04-2330154 |              |            |                                                                        | Park Avenue Life Insurance Company          | DE                 | IA                                |                                                | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0429      | The Guardian Life Insurance Co. of America | 74004             | 74-1319784 |              |            |                                                                        | Family Service Life Insurance Company       | TX                 | IA                                | Park Avenue Life Insurance Company             | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0429      | The Guardian Life Insurance Co. of America | 77119             | 74-0932935 |              |            |                                                                        | Sentinel American Life Insurance Company    | TX                 | IA                                | Family Service Life Insurance Company          | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0429      | The Guardian Life Insurance Co. of America | 78778             | 13-2656036 |              | 0000044393 |                                                                        | The Guardian Insurance & Annuity Co., Inc.  | DE                 | IA                                | The Guardian Life Insurance Co. of America     | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 13-4023176 |              | 0001071640 |                                                                        | Park Avenue Securities LLC                  | DE                 | N/A                               | The Guardian Insurance & Annuity Co., Inc.     | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 95-4326311 |              |            |                                                                        | Managed Dental Care of California           | CA                 | N/A                               | The Guardian Life Insurance Co. of America     | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 22-1947346 |              |            |                                                                        | Innovative Underwriters Inc.                | NJ                 | N/A                               | The Guardian Life Insurance Co. of America     | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0429      | The Guardian Life Insurance Co. of America | 11221             | 36-3691770 |              |            |                                                                        | First Commonweath Ltd Health Svs Corp       | IL                 | IA                                | First Commonweath Inc.                         | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 36-3563031 |              |            |                                                                        | First Commonweath of Illinois Inc.          | IL                 | N/A                               | First Commonweath Inc.                         | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0429      | The Guardian Life Insurance Co. of America | 47716             | 43-1501438 |              |            |                                                                        | First Commonweath of Missouri, Inc.         | MO                 | IA                                | First Commonweath Inc.                         | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0429      | The Guardian Life Insurance Co. of America | 12146             | 36-4117539 |              |            |                                                                        | First Commonweath Ltd Hlth Svs Corp of MI   | MI                 | IA                                | First Commonweath Inc.                         | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0429      | The Guardian Life Insurance Co. of America | 60239             | 36-4189451 |              |            |                                                                        | First Commonweath Insurance Company         | IL                 | IA                                | First Commonweath Inc.                         | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 75-2154228 |              | 0001001493 |                                                                        | First Commonweath Inc.                      | DE                 | N/A                               | The Guardian Life Insurance Co. of America     | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0429      | The Guardian Life Insurance Co. of America | 71714             | 75-1277524 | 2391878      |            |                                                                        | Berkshire Life Ins. Co. of America          | MA                 | IA                                | The Guardian Life Insurance Co. of America     | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0429      | The Guardian Life Insurance Co. of America | 52556             | 75-2698702 |              |            |                                                                        | Managed DentalGuard Inc. (Texas)            | TX                 | IA                                | The Guardian Life Insurance Co. of America     | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0429      | The Guardian Life Insurance Co. of America | 11199             | 22-3849572 |              |            |                                                                        | Managed DentalGuard Inc. (New Jersey)       | NJ                 | IA                                | The Guardian Life Insurance Co. of America     | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0429      | The Guardian Life Insurance Co. of America | 14142             | 27-4326698 |              |            |                                                                        | Managed DentalGuard Inc. (Ohio)             | OH                 | IA                                | First Commonweath Inc.                         | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 13-4198972 |              | 0000041827 |                                                                        | Guardian Investor Services LLC              | DE                 | N/A                               | The Guardian Life Insurance Co. of America     | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 94-3321067 | 2709651      | 0001085256 |                                                                        | RS Investments Management Co. LLC           | CA                 | N/A                               | Guardian Investor Services LLC                 | Onership                                                                           | 94.000                                  | The Guardian Life Insurance Co. of America |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 46-1177352 |              |            |                                                                        | RS Funds Distributor, LLC                   | DE                 | IA                                | Guardian Investor Services LLC                 | Onership                                                                           | 94.000                                  | The Guardian Life Insurance Co. of America |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 84-0733950 |              |            |                                                                        | Reed Group, Ltd                             | CO                 | N/A                               | First Commonweath Inc.                         | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 46-5427804 |              |            |                                                                        | Hanover Square Funding, LLC                 | DE                 | N/A                               | The Guardian Insurance & Annuity Co., Inc.     | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0429      | The Guardian Life Insurance Co. of America | 60237             | 91-1857813 |              |            |                                                                        | Premier Access Insurance Company            | CA                 | IA                                | First Commonweath Inc.                         | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |
| .0429      | The Guardian Life Insurance Co. of America | 15494             | 45-2881632 |              |            |                                                                        | Access Dental Plan of Utah, Inc.            | UT                 | IA                                | First Commonweath Inc.                         | Onership                                                                           | 100.000                                 | The Guardian Life Insurance Co. of America |    |

STATEMENT AS OF SEPTEMBER 30, 2016 OF THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

SCHEDULE Y

PART 1A - DETAIL OF INSURANCE HOLDING COMPANY SYSTEM

| 1          | 2                                          | 3                 | 4          | 5            | 6          | 7                                                                      | 8                                           | 9                  | 10                                | 11                                             | 12                                                                                 | 13                                        | 14                                          | 15 |
|------------|--------------------------------------------|-------------------|------------|--------------|------------|------------------------------------------------------------------------|---------------------------------------------|--------------------|-----------------------------------|------------------------------------------------|------------------------------------------------------------------------------------|-------------------------------------------|---------------------------------------------|----|
| Group Code | Group Name                                 | NAIC Company Code | ID Number  | Federal RSSD | CIK        | Name of Securities Exchange if Publicly Traded (U.S. or International) | Names of Parent, Subsidiaries Or Affiliates | Domiliary Location | Relation-ship to Reporting Entity | Directly Controlled by (Name of Entity/Person) | Type of Control (Ownership, Board, Management, Attorney-in-Fact, Influence, Other) | Control Is Owner-ship Provide Per-centage | Ultimate Controlling Entity(ies)/Person(s)  | *  |
| .0429      | The Guardian Life Insurance Co. of America | 15307             | 46-2243044 |              |            |                                                                        | Access Dental Plan of Nevada, Inc.          | NV                 | IA                                | First Commonweal th Inc.                       | Onership                                                                           | 100.000                                   | The Guardian Life Insurance Co. of America  |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 47-1373537 |              |            |                                                                        | Access Professional Dental Care, LLC        | DE                 | N/A                               | First Commonweal th Inc.                       | Onership                                                                           | 100.000                                   | The Guardian Life Insurance Co. of America  |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 68-0291842 |              |            |                                                                        | Access Dental Plan                          | CA                 | N/A                               | First Commonweal th Inc.                       | Onership                                                                           | 100.000                                   | The Guardian Life Insurance Co. of America  |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 47-1272105 |              |            |                                                                        | Access Dental Services, LLC                 | DE                 | N/A                               | First Commonweal th Inc.                       | Onership                                                                           | 100.000                                   | The Guardian Life Insurance Co. of America  |    |
| .0000      | The Guardian Life Insurance Co. of America |                   |            |              |            |                                                                        | Data Telesis Private Limited                | IND                | N/A                               | First Commonweal th Inc.                       | Onership                                                                           | 100.000                                   | The Guardian Life Insurance Co. of America  |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 20-0747310 |              |            |                                                                        | Premier Access Administrators Company       | CA                 | N/A                               | First Commonweal th Inc.                       | Onership                                                                           | 100.000                                   | The Guardian Life Insurance Co. of America  |    |
| .0429      | The Guardian Life Insurance Co. of America |                   | 20-1886945 |              |            |                                                                        | Premier Group, Inc.                         | CA                 | IA                                | First Commonweal th Inc.                       | Onership                                                                           | 100.000                                   | The Guardian Life Insurance Co. of America  |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 46-2514793 |              |            |                                                                        | Blue Hills Dental Plan of Arizona, Inc.     | AZ                 | N/A                               | First Commonweal th Inc.                       | Onership                                                                           | 100.000                                   | The Guardian Life Insurance Co. of America  |    |
| .0429      | The Guardian Life Insurance Co. of America |                   | 86-0349350 |              |            |                                                                        | Avesis Incorporated                         | DE                 | IA                                | First Commonweal th Inc.                       | Onership                                                                           | 100.000                                   | The Guardian Life Insurance Co. of America  |    |
| .0000      | The Guardian Life Insurance Co. of America | 11163             | 86-0960007 |              |            |                                                                        | Avesis Insurance Incorporated               | AZ                 | N/A                               | First Commonweal th Inc.                       | Onership                                                                           | 100.000                                   | The Guardian Life Insurance Co. of America  |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 86-0986927 |              |            |                                                                        | Avesis Third Party Administrators, Inc      | AZ                 | N/A                               | First Commonweal th Inc.                       | Onership                                                                           | 100.000                                   | The Guardian Life Insurance Co. of America  |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 16-1583308 |              |            |                                                                        | Avesis of New York, Inc                     | NY                 | N/A                               | First Commonweal th Inc.                       | Onership                                                                           | 100.000                                   | The Guardian Life Insurance Co. of America  |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 86-0821688 |              |            |                                                                        | Avesis of Washington D.C, Inc.              | WA                 | N/A                               | First Commonweal th Inc.                       | Onership                                                                           | 100.000                                   | The Guardian Life Insurance Co. of America  |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 37-1780736 |              |            |                                                                        | Park Avenue Institutional Advisors LLC      | DE                 | N/A                               | Guardian Investor Services LLC                 | Onership                                                                           | 94.000                                    | The Guardian Life Insurance Co. of America  |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 81-0948679 |              |            |                                                                        | GIS Canada Holdings Corp                    | DE                 | N/A                               | Guardian Investor Services LLC                 | Onership                                                                           | 100.000                                   | The Guardian Life Insurance Co. of America  |    |
| .0000      | The Guardian Life Insurance Co. of America |                   |            |              |            |                                                                        | Reed Group Canada Services ULC              | CAN                | N/A                               | Guardian Investor Services LLC                 | Onership                                                                           | 100.000                                   | The Guardian Life Insurance Co. of America  |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 81-0936026 |              |            |                                                                        | Reed Acquisitions LLC                       | DE                 | N/A                               | Guardian Investor Services LLC                 | Onership                                                                           | 100.000                                   | The Guardian Life Insurance Co. of America  |    |
| .0000      | The Guardian Life Insurance Co. of America |                   | 04-3331304 |              |            |                                                                        | Reed Group Management LLC                   | CT                 | N/A                               | Guardian Investor Services LLC                 | Onership                                                                           | 100.000                                   | The Guardian Life Insurance Co. of America  |    |
| .0429      | The Guardian Life Insurance Co. of America |                   | 13-4198972 |              | 0000041827 |                                                                        | Guardian Investor Services, LLC             | DE                 | N/A                               | Ther Guardian Life Insurance Co. of America    | Onership                                                                           | 100.000                                   | Ther Guardian Life Insurance Co. of America |    |
| .0429      | The Guardian Life Insurance Co. of America |                   | 81-9459665 |              |            |                                                                        | GIS DSO Holdings, LLC                       | DE                 | N/A                               | Guardian Investor Services, LLC                | Onership                                                                           | 100.000                                   | Ther Guardian Life Insurance Co. of America |    |
| .0429      | The Guardian Life Insurance Co. of America |                   | 26-4473606 |              |            |                                                                        | STX Healthcare Management Services, Inc.    | DE                 | N/A                               | GIS DSO Holdings, LLC                          | Onership                                                                           | 100.000                                   | Ther Guardian Life Insurance Co. of America |    |
| .0429      | The Guardian Life Insurance Co. of America |                   | 20-0075582 |              |            |                                                                        | Vital Sniles, Inc.                          | AL                 | N/A                               | STX Healthcare Management Services, Inc        | Onership                                                                           | 100.000                                   | Ther Guardian Life Insurance Co. of America |    |
| .0429      | The Guardian Life Insurance Co. of America |                   |            |              |            |                                                                        | Harbor Discount Plan LLC                    | TX                 | N/A                               | STX Healthcare Management Services, Inc.       | Onership                                                                           | 100.000                                   | Ther Guardian Life Insurance Co. of America |    |

| Asterisk | Explanation |
|----------|-------------|
|          |             |

STATEMENT AS OF SEPTEMBER 30, 2016 OF THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

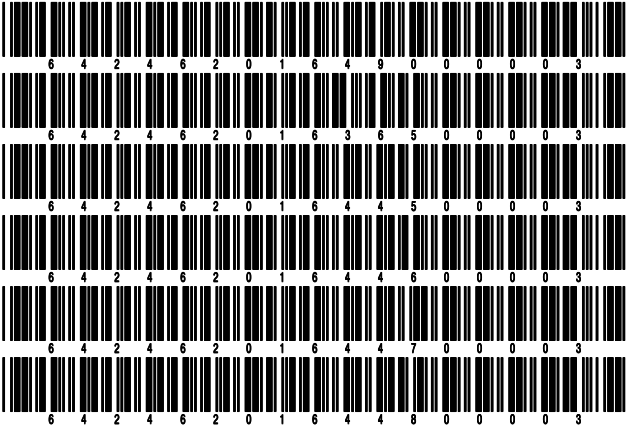
|                                                                                                                                                                                                                          | Response |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| 1. Will the Trusteed Surplus Statement be filed with the state of domicile and the NAIC with this statement? .....                                                                                                       | NO       |
| 2. Will the Medicare Part D Coverage Supplement be filed with the state of domicile and the NAIC with this statement? .....                                                                                              | NO       |
| 3. Will the Reasonableness of Assumptions Certification required by Actuarial Guideline XXXV be filed with the state of domicile and electronically with the NAIC? .....                                                 | NO       |
| 4. Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXV be filed with the state of domicile and electronically with the NAIC? .....                                 | NO       |
| 5. Will the Reasonableness of Assumptions Certification for Implied Guaranteed Rate Method required by Actuarial Guideline XXXVI be filed with the state of domicile and electronically with the NAIC? .....             | NO       |
| 6. Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXVI (Updated Average Market Value) be filed with the state of domicile and electronically with the NAIC? ..... | NO       |
| 7. Will the Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXVI (Updated Market Value) be filed with the state of domicile and electronically with the NAIC? .....         | YES      |

Explanation:

1.
2.
3.
4.
5.
6.

Bar Code:

1. Trusteed Surplus Statement [Document Identifier 490]
2. Medicare Part D Coverage Supplement [Document Identifier 365]
3. Reasonableness of Assumptions Certification required by Actuarial Guideline XXXV [Document Identifier 445]
4. Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXV [Document Identifier 446]
5. Reasonableness of Assumptions Certification for Implied Guaranteed Rate Method required by Actuarial Guideline XXXVI [Document Identifier 447]
6. Reasonableness and Consistency of Assumptions Certification required by Actuarial Guideline XXXVI [Document Identifier 448]



STATEMENT AS OF SEPTEMBER 30, 2016 OF THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

OVERFLOW PAGE FOR WRITE-INS

Additional Write-ins for Assets Line 25

|       |                                                               | Current Statement Date |                             |                                               | 4<br>December 31<br>Prior Year Net<br>Admitted Assets |
|-------|---------------------------------------------------------------|------------------------|-----------------------------|-----------------------------------------------|-------------------------------------------------------|
|       |                                                               | 1<br><br>Assets        | 2<br><br>Nonadmitted Assets | 3<br><br>Net Admitted Assets<br>(Cols. 1 - 2) |                                                       |
| 2504. | Modco receivable .....                                        | 147,190                |                             | 147,190                                       | 156,705                                               |
| 2505. | Leasehold improvements .....                                  | 9,209,234              | 9,209,234                   |                                               |                                                       |
| 2506. | Prepaid asset - pension plan .....                            | 999,930                | 999,930                     |                                               |                                                       |
| 2507. | Premium tax receivable .....                                  |                        |                             |                                               | 1,144,317                                             |
| 2597. | Summary of remaining write-ins for Line 25 from overflow page | 10,356,354             | 10,209,164                  | 147,190                                       | 1,301,022                                             |

Additional Write-ins for Liabilities Line 25

|       |                                                                     | 1<br><br>Current<br>Statement Date | 2<br><br>December 31<br>Prior Year |
|-------|---------------------------------------------------------------------|------------------------------------|------------------------------------|
| 2504. | Defer gains on real estate .....                                    | 13,165,427                         | 13,165,427                         |
| 2505. | Claims liabilities for all other lines of business - pools .....    | 3,346,788                          | 3,364,116                          |
| 2506. | Contingency reserve for group life premiums and retired lives ..... | 1,818,244                          | 2,979,043                          |
| 2507. | Reserve for special litigation expense .....                        | 543,568                            | 823,568                            |
| 2508. | Miscellaneous reinsurance liabilities .....                         | 31,978                             |                                    |
| 2597. | Summary of remaining write-ins for Line 25 from overflow page       | 18,906,005                         | 20,332,153                         |

Additional Write-ins for Liabilities Line 34

|       |                                                               | 1<br><br>Current<br>Statement Date | 2<br><br>December 31<br>Prior Year |
|-------|---------------------------------------------------------------|------------------------------------|------------------------------------|
| 3404. | Affordable care act fee .....                                 |                                    | 34,903,000                         |
| 3497. | Summary of remaining write-ins for Line 34 from overflow page |                                    | 34,903,000                         |

Additional Write-ins for Summary of Operations Line 8.3

|         |                                                                | 1<br><br>Current Year<br>To Date | 2<br><br>Prior Year<br>To Date | 3<br><br>Prior Year Ended<br>December 31 |
|---------|----------------------------------------------------------------|----------------------------------|--------------------------------|------------------------------------------|
| 08.304. | Miscellaneous income .....                                     | 7,964,119                        | 13,322,725                     | 15,788,040                               |
| 08.305. | Service fees .....                                             | 852,588                          | 9,286                          | 300,569                                  |
| 08.306. | Premiums on all other lines of business .....                  |                                  | 349                            | 231                                      |
| 08.397. | Summary of remaining write-ins for Line 8.3 from overflow page | 8,816,708                        | 13,332,361                     | 16,088,840                               |

Additional Write-ins for Summary of Operations Line 27

|       |                                                                | 1<br><br>Current Year<br>To Date | 2<br><br>Prior Year<br>To Date | 3<br><br>Prior Year Ended<br>December 31 |
|-------|----------------------------------------------------------------|----------------------------------|--------------------------------|------------------------------------------|
| 2704. | Death benefits on all other lines of business - aviation ..... | 76,913                           | 28,438                         | 81,075                                   |
| 2705. | Interest on fines & penalties of regulatory authorities .....  | 8,914                            | 29,695                         | 5,480                                    |
| 2706. | Commissions on all other lines of business .....               | 5,431                            | 6,038                          | 6,032                                    |
| 2707. | Losses on all other lines of business .....                    | (17,328)                         | (3,850)                        | (364,688)                                |
| 2708. | Reserve adjustment on reinsurance assumed .....                | (2,118,089)                      | (34,817,811)                   | (25,758,074)                             |
| 2797. | Summary of remaining write-ins for Line 27 from overflow page  | (2,044,159)                      | (34,757,491)                   | (26,030,175)                             |

SCHEDULE A - VERIFICATION

Real Estate

|                                                                                            | 1            | 2                               |
|--------------------------------------------------------------------------------------------|--------------|---------------------------------|
|                                                                                            | Year to Date | Prior Year Ended<br>December 31 |
| 1. Book/adjusted carrying value, December 31 of prior year .....                           | 429,569,136  | 149,243,532                     |
| 2. Cost of acquired:                                                                       |              |                                 |
| 2.1 Actual cost at time of acquisition .....                                               | 67,431,824   | 525,491,626                     |
| 2.2 Additional investment made after acquisition .....                                     | 5,086,885    | 8,395,985                       |
| 3. Current year change in encumbrances .....                                               | (33,786,841) | (203,636,063)                   |
| 4. Total gain (loss) on disposals .....                                                    | 28,294,556   | 2,031,381                       |
| 5. Deduct amounts received on disposals .....                                              | 81,110,064   | 32,329,078                      |
| 6. Total foreign exchange change in book/adjusted carrying value .....                     |              |                                 |
| 7. Deduct current year's other than temporary impairment recognized .....                  |              |                                 |
| 8. Deduct current year's depreciation .....                                                | 14,168,129   | 19,628,246                      |
| 9. Book/adjusted carrying value at the end of current period (Lines 1+2+3+4-5+6-7-8) ..... | 401,317,368  | 429,569,136                     |
| 10. Deduct total nonadmitted amounts .....                                                 |              |                                 |
| 11. Statement value at end of current period (Line 9 minus Line 10)                        | 401,317,368  | 429,569,136                     |

SCHEDULE B - VERIFICATION

Mortgage Loans

|                                                                                                                           | 1             | 2                               |
|---------------------------------------------------------------------------------------------------------------------------|---------------|---------------------------------|
|                                                                                                                           | Year to Date  | Prior Year Ended<br>December 31 |
| 1. Book value/recorded investment excluding accrued interest, December 31 of prior year .....                             | 3,387,932,687 | 3,046,252,931                   |
| 2. Cost of acquired:                                                                                                      |               |                                 |
| 2.1 Actual cost at time of acquisition .....                                                                              | 436,856,000   | 794,720,000                     |
| 2.2 Additional investment made after acquisition .....                                                                    | 2,097,771     | 18,992,327                      |
| 3. Capitalized deferred interest and other .....                                                                          | 870,737       | 1,900,189                       |
| 4. Accrual of discount .....                                                                                              |               | 868,177                         |
| 5. Unrealized valuation increase (decrease) .....                                                                         |               |                                 |
| 6. Total gain (loss) on disposals .....                                                                                   |               |                                 |
| 7. Deduct amounts received on disposals .....                                                                             | 399,852,949   | 468,617,735                     |
| 8. Deduct amortization of premium and mortgage interest points and commitment fees .....                                  | 4,114,839     | 6,183,202                       |
| 9. Total foreign exchange change in book value/recorded investment excluding accrued interest .....                       |               |                                 |
| 10. Deduct current year's other than temporary impairment recognized .....                                                |               |                                 |
| 11. Book value/recorded investment excluding accrued interest at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) ..... | 3,423,789,407 | 3,387,932,687                   |
| 12. Total valuation allowance .....                                                                                       |               |                                 |
| 13. Subtotal (Line 11 plus Line 12) .....                                                                                 | 3,423,789,407 | 3,387,932,687                   |
| 14. Deduct total nonadmitted amounts .....                                                                                |               |                                 |
| 15. Statement value at end of current period (Line 13 minus Line 14)                                                      | 3,423,789,407 | 3,387,932,687                   |

SCHEDULE BA - VERIFICATION

Other Long-Term Invested Assets

|                                                                                              | 1             | 2                               |
|----------------------------------------------------------------------------------------------|---------------|---------------------------------|
|                                                                                              | Year to Date  | Prior Year Ended<br>December 31 |
| 1. Book/adjusted carrying value, December 31 of prior year .....                             | 1,902,989,254 | 2,107,712,229                   |
| 2. Cost of acquired:                                                                         |               |                                 |
| 2.1 Actual cost at time of acquisition .....                                                 | 24,783,058    | 104,320,395                     |
| 2.2 Additional investment made after acquisition .....                                       | 401,882,046   | 370,000,730                     |
| 3. Capitalized deferred interest and other .....                                             |               |                                 |
| 4. Accrual of discount .....                                                                 |               |                                 |
| 5. Unrealized valuation increase (decrease) .....                                            | (104,742,690) | 84,672,882                      |
| 6. Total gain (loss) on disposals .....                                                      | (2,466,416)   | 245,564,466                     |
| 7. Deduct amounts received on disposals .....                                                | 427,760,407   | 849,802,682                     |
| 8. Deduct amortization of premium and depreciation .....                                     | 1,641,540     | 634,595                         |
| 9. Total foreign exchange change in book/adjusted carrying value .....                       | (1,463,660)   | (2,000,481)                     |
| 10. Deduct current year's other than temporary impairment recognized .....                   | 42,877,034    | 156,843,689                     |
| 11. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5+6-7-8+9-10) ..... | 1,748,702,611 | 1,902,989,254                   |
| 12. Deduct total nonadmitted amounts .....                                                   | 2,330,439     | 6,383,089                       |
| 13. Statement value at end of current period (Line 11 minus Line 12)                         | 1,746,372,172 | 1,896,606,165                   |

SCHEDULE D - VERIFICATION

Bonds and Stocks

|                                                                                           | 1              | 2                               |
|-------------------------------------------------------------------------------------------|----------------|---------------------------------|
|                                                                                           | Year to Date   | Prior Year Ended<br>December 31 |
| 1. Book/adjusted carrying value of bonds and stocks, December 31 of prior year .....      | 33,345,128,145 | 31,308,266,987                  |
| 2. Cost of bonds and stocks acquired .....                                                | 14,419,977,082 | 13,899,962,494                  |
| 3. Accrual of discount .....                                                              | 20,045,920     | 21,277,786                      |
| 4. Unrealized valuation increase (decrease) .....                                         | (6,161,925)    | (47,895,420)                    |
| 5. Total gain (loss) on disposals .....                                                   | 365,311,832    | 41,018,993                      |
| 6. Deduct consideration for bonds and stocks disposed of .....                            | 11,567,553,772 | 11,836,121,571                  |
| 7. Deduct amortization of premium .....                                                   | 51,558,528     | 70,428,341                      |
| 8. Total foreign exchange change in book/adjusted carrying value .....                    | (7,638,735)    | 59,632,242                      |
| 9. Deduct current year's other than temporary impairment recognized .....                 |                | 30,585,025                      |
| 10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) ..... | 36,517,550,020 | 33,345,128,145                  |
| 11. Deduct total nonadmitted amounts .....                                                | 6,360,851      | 6,451,723                       |
| 12. Statement value at end of current period (Line 10 minus Line 11)                      | 36,511,189,168 | 33,338,676,422                  |

SCHEDULE D - PART 1B

Showing the Acquisitions, Dispositions and Non-Trading Activity  
During the Current Quarter for all Bonds and Preferred Stock by NAIC Designation

|                                     | 1                                                                  | 2                                         | 3                                         | 4                                                 | 5                                                          | 6                                                           | 7                                                          | 8                                                            |
|-------------------------------------|--------------------------------------------------------------------|-------------------------------------------|-------------------------------------------|---------------------------------------------------|------------------------------------------------------------|-------------------------------------------------------------|------------------------------------------------------------|--------------------------------------------------------------|
| NAIC Designation                    | Book/Adjusted<br>Carrying Value<br>Beginning<br>of Current Quarter | Acquisitions<br>During<br>Current Quarter | Dispositions<br>During<br>Current Quarter | Non-Trading Activity<br>During<br>Current Quarter | Book/Adjusted<br>Carrying Value<br>End of<br>First Quarter | Book/Adjusted<br>Carrying Value<br>End of<br>Second Quarter | Book/Adjusted<br>Carrying Value<br>End of<br>Third Quarter | Book/Adjusted<br>Carrying Value<br>December 31<br>Prior Year |
| BONDS                               |                                                                    |                                           |                                           |                                                   |                                                            |                                                             |                                                            |                                                              |
| 1. NAIC 1 (a)                       | 17,580,218,448                                                     | 19,188,241,143                            | 18,850,797,601                            | (93,291,157)                                      | 17,103,637,347                                             | 17,580,218,448                                              | 17,824,370,833                                             | 16,973,797,961                                               |
| 2. NAIC 2 (a)                       | 14,161,594,538                                                     | 1,459,554,493                             | 904,500,775                               | 23,297,055                                        | 13,785,870,386                                             | 14,161,594,538                                              | 14,739,945,311                                             | 13,531,078,073                                               |
| 3. NAIC 3 (a)                       | 1,312,400,972                                                      | 152,739,940                               | 158,923,033                               | 114,683,963                                       | 1,219,404,169                                              | 1,312,400,972                                               | 1,420,901,842                                              | 1,003,386,675                                                |
| 4. NAIC 4 (a)                       | 1,179,144,742                                                      | 258,518,509                               | 184,946,568                               | (44,483,381)                                      | 1,030,794,376                                              | 1,179,144,742                                               | 1,208,233,302                                              | 892,942,016                                                  |
| 5. NAIC 5 (a)                       | 149,828,136                                                        | 37,329,730                                | 58,807,287                                | (976,538)                                         | 145,850,731                                                | 149,828,136                                                 | 127,374,041                                                | 138,707,789                                                  |
| 6. NAIC 6 (a)                       | 16,613,517                                                         | 35,075,822                                | 5,800,000                                 | (8,838,353)                                       | 10,196,775                                                 | 16,613,517                                                  | 37,050,986                                                 |                                                              |
| 7. Total Bonds                      | 34,399,800,353                                                     | 21,131,459,637                            | 20,163,775,264                            | (9,608,411)                                       | 33,295,753,784                                             | 34,399,800,353                                              | 35,357,876,315                                             | 32,539,912,514                                               |
| PREFERRED STOCK                     |                                                                    |                                           |                                           |                                                   |                                                            |                                                             |                                                            |                                                              |
| 8. NAIC 1                           |                                                                    |                                           |                                           |                                                   |                                                            |                                                             |                                                            |                                                              |
| 9. NAIC 2                           | 96,473,474                                                         |                                           | 48,614,016                                | 2,513,046                                         | 91,563,543                                                 | 96,473,474                                                  | 50,372,504                                                 | 93,130,409                                                   |
| 10. NAIC 3                          | 32,883,344                                                         | 13,680,523                                | 7,288,379                                 | (1)                                               | 32,883,344                                                 | 32,883,344                                                  | 39,275,487                                                 | 27,551,481                                                   |
| 11. NAIC 4                          | 9,462,500                                                          |                                           | 10,059,580                                | 597,080                                           | 10,059,580                                                 | 9,462,500                                                   |                                                            | 9,081,250                                                    |
| 12. NAIC 5                          | 7,652,864                                                          |                                           | 7,652,864                                 |                                                   | 10,883,422                                                 | 7,652,864                                                   |                                                            | 11,086,110                                                   |
| 13. NAIC 6                          | 25,986,092                                                         |                                           |                                           |                                                   | 25,986,092                                                 | 25,986,092                                                  | 25,986,092                                                 | 25,986,092                                                   |
| 14. Total Preferred Stock           | 172,458,274                                                        | 13,680,523                                | 73,614,839                                | 3,110,125                                         | 171,375,981                                                | 172,458,274                                                 | 115,634,083                                                | 166,835,342                                                  |
| 15. Total Bonds and Preferred Stock | 34,572,258,627                                                     | 21,145,140,160                            | 20,237,390,103                            | (6,498,286)                                       | 33,467,129,765                                             | 34,572,258,627                                              | 35,473,510,398                                             | 32,706,747,856                                               |

(a) Book/Adjusted Carrying Value column for the end of the current reporting period includes the following amount of non-rated short-term and cash equivalent bonds by NAIC designation: NAIC 1 \$ .....553,379,330 ; NAIC 2 \$ .....2,231,600 ; NAIC 3 \$ ..... ;

NAIC 4 \$ ..... ; NAIC 5 \$ ..... ; NAIC 6 \$ .....

SCHEDULE DA - PART 1

Short-Term Investments

|                | 1                               | 2         | 3           | 4                                  | 5                                            |
|----------------|---------------------------------|-----------|-------------|------------------------------------|----------------------------------------------|
|                | Book/Adjusted<br>Carrying Value | Par Value | Actual Cost | Interest Collected<br>Year-to-Date | Paid for<br>Accrued Interest<br>Year-to-Date |
| 9199999 Totals | 94,218,239                      | xxx       | 94,213,909  |                                    |                                              |

SCHEDULE DA - VERIFICATION

Short-Term Investments

|                                                                                           | 1             | 2                               |
|-------------------------------------------------------------------------------------------|---------------|---------------------------------|
|                                                                                           | Year To Date  | Prior Year Ended<br>December 31 |
| 1. Book/adjusted carrying value, December 31 of prior year .....                          | 22,603,624    | 374,012,858                     |
| 2. Cost of short-term investments acquired .....                                          | 3,967,430,876 | 4,733,491,652                   |
| 3. Accrual of discount .....                                                              | 43,588        | 35,375                          |
| 4. Unrealized valuation increase (decrease) .....                                         |               |                                 |
| 5. Total gain (loss) on disposals .....                                                   | 5,258         | 20,467                          |
| 6. Deduct consideration received on disposals .....                                       | 3,895,859,979 | 5,084,956,728                   |
| 7. Deduct amortization of premium .....                                                   | 5,126         |                                 |
| 8. Total foreign exchange change in book/adjusted carrying value .....                    |               |                                 |
| 9. Deduct current year's other than temporary impairment recognized .....                 |               |                                 |
| 10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) ..... | 94,218,241    | 22,603,624                      |
| 11. Deduct total nonadmitted amounts .....                                                |               |                                 |
| 12. Statement value at end of current period (Line 10 minus Line 11)                      | 94,218,241    | 22,603,624                      |

SCHEDULE DB - PART A - VERIFICATION

Options, Caps, Floors, Collars, Swaps and Forwards

|     |                                                                               |              |
|-----|-------------------------------------------------------------------------------|--------------|
| 1.  | Book/Adjusted Carrying Value, December 31, prior year (Line 9, prior year)    | 4,032,982    |
| 2.  | Cost Paid/(Consideration Received) on additions                               | (9,935,892)  |
| 3.  | Unrealized Valuation increase/(decrease)                                      | 7,914,738    |
| 4.  | Total gain (loss) on termination recognized                                   | (4,325,939)  |
| 5.  | Considerations received/(paid) on terminations                                | (19,017,915) |
| 6.  | Amortization                                                                  | 291,199      |
| 7.  | Adjustment to the Book/Adjusted Carrying Value of hedged item                 |              |
| 8.  | Total foreign exchange change in Book/Adjusted Carrying Value                 |              |
| 9.  | Book/Adjusted Carrying Value at End of Current Period (Lines 1+2+3+4-5+6+7+8) | 16,995,003   |
| 10. | Deduct nonadmitted assets                                                     |              |
| 11. | Statement value at end of current period (Line 9 minus Line 10)               | 16,995,003   |

SCHEDULE DB - PART B - VERIFICATION

Futures Contracts

|      |                                                                                                            |                             |
|------|------------------------------------------------------------------------------------------------------------|-----------------------------|
| 1.   | Book/Adjusted carrying value, December 31 of prior year (Line 6, prior year)                               | 7,837,572                   |
| 2.   | Cumulative cash change (Section 1, Broker Name/Net Cash Deposits Footnote - Cumulative Cash Change column) | 11,910,731                  |
| 3.1  | Add:                                                                                                       |                             |
|      | Change in variation margin on open contracts - Highly Effective Hedges                                     |                             |
| 3.11 | Section 1, Column 15, current year to date minus                                                           | 2,699,822                   |
| 3.12 | Section 1, Column 15, prior year                                                                           | (473,930)3,173,752          |
|      | Change in variation margin on open contracts - All Other                                                   |                             |
| 3.13 | Section 1, Column 18, current year to date minus                                                           | (4,549,173)                 |
| 3.14 | Section 1, Column 18, prior year                                                                           | 1,090(4,550,263)(1,376,512) |
| 3.2  | Add:                                                                                                       |                             |
|      | Change in adjustment to basis of hedged item                                                               |                             |
| 3.21 | Section 1, Column 17, current year to date minus                                                           | 2,699,822                   |
| 3.22 | Section 1, Column 17, prior year                                                                           | (473,930)3,173,752          |
|      | Change in amount recognized                                                                                |                             |
| 3.23 | Section 1, Column 19, current year to date minus                                                           | (4,549,173)                 |
| 3.24 | Section 1, Column 19, prior year                                                                           | 1,090(4,550,263)(1,376,512) |
| 3.3  | Subtotal (Line 3.1 minus Line 3.2)                                                                         |                             |
| 4.1  | Cumulative variation margin on terminated contracts during the year                                        |                             |
| 4.2  | Less:                                                                                                      |                             |
|      | 4.21 Amount used to adjust basis of hedged item                                                            |                             |
|      | 4.22 Amount recognized                                                                                     |                             |
| 4.3  | Subtotal (Line 4.1 minus Line 4.2)                                                                         |                             |
| 5.   | Dispositions gains (losses) on contracts terminated in prior year:                                         |                             |
|      | 5.1 Total gain (loss) recognized for terminations in prior year                                            |                             |
|      | 5.2 Total gain (loss) adjusted into the hedged item(s) for terminations in prior year                      |                             |
| 6.   | Book/Adjusted carrying value at end of current period (Lines 1+2+3.3-4.3-5.1-5.2)                          | 19,748,303                  |
| 7.   | Deduct total nonadmitted amounts                                                                           |                             |
| 8.   | Statement value at end of current period (Line 6 minus Line 7)                                             | 19,748,303                  |





STATEMENT AS OF SEPTEMBER 30, 2016 OF THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

SCHEDULE DB - PART C - SECTION 2

Replication (Synthetic Asset) Transactions Open

|                                                                                           | First Quarter                  |                                                                                | Second Quarter                 |                                                                                | Third Quarter                  |                                                                                | Fourth Quarter                 |                                                                                | Year To Date                   |                                                                                 |
|-------------------------------------------------------------------------------------------|--------------------------------|--------------------------------------------------------------------------------|--------------------------------|--------------------------------------------------------------------------------|--------------------------------|--------------------------------------------------------------------------------|--------------------------------|--------------------------------------------------------------------------------|--------------------------------|---------------------------------------------------------------------------------|
|                                                                                           | 1<br>Number<br>of<br>Positions | 2<br>Total Replication<br>(Synthetic Asset)<br>Transactions<br>Statement Value | 3<br>Number<br>of<br>Positions | 4<br>Total Replication<br>(Synthetic Asset)<br>Transactions<br>Statement Value | 5<br>Number<br>of<br>Positions | 6<br>Total Replication<br>(Synthetic Asset)<br>Transactions<br>Statement Value | 7<br>Number<br>of<br>Positions | 8<br>Total Replication<br>(Synthetic Asset)<br>Transactions<br>Statement Value | 9<br>Number<br>of<br>Positions | 10<br>Total Replication<br>(Synthetic Asset)<br>Transactions<br>Statement Value |
| 1. Beginning Inventory .....                                                              | 50,000,000                     | 5,024,155                                                                      |                                |                                                                                |                                |                                                                                |                                |                                                                                | 50,000,000                     | 5,024,155                                                                       |
| 2. Add: Opened or Acquired Transactions.....                                              |                                |                                                                                |                                |                                                                                |                                |                                                                                |                                |                                                                                |                                |                                                                                 |
| 3. Add: Increases in Replication (Synthetic Asset)<br>Transactions Statement Value.....   | XXX                            |                                                                                | XXX                            |                                                                                | XXX                            |                                                                                | XXX                            |                                                                                | XXX                            |                                                                                 |
| 4. Less: Closed or Disposed of Transactions.....                                          | 50,000,000                     | 5,024,155                                                                      |                                |                                                                                |                                |                                                                                |                                |                                                                                | 50,000,000                     | 5,024,155                                                                       |
| 5. Less: Positions Disposed of for Failing Effectiveness<br>Criteria.....                 |                                |                                                                                |                                |                                                                                |                                |                                                                                |                                |                                                                                |                                |                                                                                 |
| 6. Less: Decreases in Replication (Synthetic Asset)<br>Transactions Statement Value ..... | XXX                            |                                                                                | XXX                            |                                                                                | XXX                            |                                                                                | XXX                            |                                                                                | XXX                            |                                                                                 |
| 7. Ending Inventory .....                                                                 |                                |                                                                                |                                |                                                                                |                                |                                                                                |                                |                                                                                |                                |                                                                                 |

SCHEDULE DB - VERIFICATION

Verification of Book/Adjusted Carrying Value, Fair Value and Potential Exposure of all Open Derivative Contracts

|     |                                                                                               | Book/Adjusted Carrying Value Check |
|-----|-----------------------------------------------------------------------------------------------|------------------------------------|
| 1.  | Part A, Section 1, Column 14.....                                                             | 16,995,001                         |
| 2.  | Part B, Section 1, Column 15 plus Part B, Section 1 Footnote - Total Ending Cash Balance..... | 22,448,126                         |
| 3.  | Total (Line 1 plus Line 2) .....                                                              | 39,443,127                         |
| 4.  | Part D, Section 1, Column 5 .....                                                             | 38,049,236                         |
| 5.  | Part D, Section 1, Column 6 .....                                                             | (1,305,931)                        |
| 6.  | Total (Line 3 minus Line 4 minus Line 5) .....                                                | 2,699,822                          |
|     |                                                                                               | Fair Value Check                   |
| 7.  | Part A, Section 1, Column 16 .....                                                            | 16,995,001                         |
| 8.  | Part B, Section 1, Column 13 .....                                                            |                                    |
| 9.  | Total (Line 7 plus Line 8) .....                                                              | 16,995,001                         |
| 10. | Part D, Section 1, Column 8 .....                                                             | 18,300,932                         |
| 11. | Part D, Section 1, Column 9 .....                                                             | (1,305,931)                        |
| 12. | Total (Line 9 minus Line 10 minus Line 11) .....                                              |                                    |
|     |                                                                                               | Potential Exposure Check           |
| 13. | Part A, Section 1, Column 21 .....                                                            | 3,652,446                          |
| 14. | Part B, Section 1, Column 20 .....                                                            | 46,457,050                         |
| 15. | Part D, Section 1, Column 11 .....                                                            | 50,109,498                         |
| 16. | Total (Line 13 plus Line 14 minus Line 15) .....                                              | (2)                                |

SCHEDULE E - VERIFICATION

(Cash Equivalents)

|                                                                                           | 1              | 2                               |
|-------------------------------------------------------------------------------------------|----------------|---------------------------------|
|                                                                                           | Year To Date   | Prior Year Ended<br>December 31 |
| 1. Book/adjusted carrying value, December 31 of prior year .....                          | 801,380,825    | 357,494,454                     |
| 2. Cost of cash equivalents acquired .....                                                | 37,712,018,109 | 20,988,486,252                  |
| 3. Accrual of discount .....                                                              | 963,036        | 410,230                         |
| 4. Unrealized valuation increase (decrease) .....                                         |                |                                 |
| 5. Total gain (loss) on disposals .....                                                   | (6,700)        | (1,857)                         |
| 6. Deduct consideration received on disposals .....                                       | 38,052,962,578 | 20,545,008,254                  |
| 7. Deduct amortization of premium .....                                                   |                |                                 |
| 8. Total foreign exchange change in book/adjusted carrying value .....                    |                |                                 |
| 9. Deduct current year's other than temporary impairment recognized .....                 |                |                                 |
| 10. Book/adjusted carrying value at end of current period (Lines 1+2+3+4+5-6-7+8-9) ..... | 461,392,692    | 801,380,825                     |
| 11. Deduct total nonadmitted amounts .....                                                |                |                                 |
| 12. Statement value at end of current period (Line 10 minus Line 11)                      | 461,392,692    | 801,380,825                     |

SCHEDULE A - PART 2

Showing All Real Estate ACQUIRED AND ADDITIONS MADE During the Current Quarter

| 1                                       |  | 2          |  | 3     |  | 4                | 5              | 6                                     | 7                         | 8                                                    | 9                                                     |  |
|-----------------------------------------|--|------------|--|-------|--|------------------|----------------|---------------------------------------|---------------------------|------------------------------------------------------|-------------------------------------------------------|--|
| Description of Property                 |  | Location   |  | State |  | Date<br>Acquired | Name of Vendor | Actual Cost at<br>Time of Acquisition | Amount of<br>Encumbrances | Book/Adjusted<br>Carrying Value<br>Less Encumbrances | Additional<br>Investment<br>Made After<br>Acquisition |  |
|                                         |  | City       |  |       |  |                  |                |                                       |                           |                                                      |                                                       |  |
| (271) COLD STORAGE                      |  | COMERCE    |  | CA    |  | 09/30/2016       | Various        |                                       |                           |                                                      | 21,385                                                |  |
| (3081) PIAZZA D'ORO, LLC                |  | OCEANSIDE  |  | CA    |  | 09/30/2016       | Various        |                                       |                           |                                                      | 163,442                                               |  |
| (119) APARTMENT BUILDING                |  | PASADENA   |  | CA    |  | 09/30/2016       | Various        |                                       |                           |                                                      | 505,628                                               |  |
| (120) APARTMENT BUILDING                |  | PASADENA   |  | CA    |  | 09/30/2016       | Various        |                                       |                           |                                                      | 194,182                                               |  |
| (269) WAREHOUSE                         |  | Vernon     |  | CA    |  | 09/30/2016       | Various        |                                       | 18,701                    |                                                      |                                                       |  |
| (5073) GUARDIAN TRION VILLAGE, LLC      |  | WILMINGTON |  | DE    |  | 09/30/2016       | Various        |                                       |                           | 4,488                                                |                                                       |  |
| (5077) GUARDIAN SAN JUANITA, LLC        |  | WILMINGTON |  | DE    |  | 09/30/2016       | Various        |                                       | 195,115                   |                                                      | 109,603                                               |  |
| (5082) GUARDIAN BEAUMONT, LLC           |  | WILMINGTON |  | DE    |  | 09/30/2016       | Various        |                                       |                           |                                                      | 772,904                                               |  |
| (5098) GUARDIAN LUMIERE, LLC            |  | MEDFORD    |  | MA    |  | 09/30/2016       | Various        |                                       |                           | 5,663                                                |                                                       |  |
| (5065) GUARDIAN PARK PLACE, LLC         |  | ANNAPOLIS  |  | MD    |  | 09/30/2016       | Various        |                                       | 124,919                   |                                                      | 177,729                                               |  |
| (5053) GUARDIAN QUINCY, LLC             |  | ARLINGTON  |  | VA    |  | 09/30/2016       | Various        |                                       |                           | 50,041                                               |                                                       |  |
| (5089) SEASONS LYNNWOOD, LLC            |  | LYNNWOOD   |  | WA    |  | 09/30/2016       | Various        |                                       |                           |                                                      | 91,479                                                |  |
| 01999999. Acquired by Purchase          |  |            |  |       |  |                  |                |                                       | 338,735                   |                                                      | 2,096,544                                             |  |
|                                         |  |            |  |       |  |                  |                |                                       |                           |                                                      |                                                       |  |
| 02999999. Acquired by Internal Transfer |  |            |  |       |  |                  |                |                                       |                           |                                                      |                                                       |  |
| 03999999 - Totals                       |  |            |  |       |  |                  |                |                                       | 338,735                   |                                                      | 2,096,544                                             |  |

SCHEDULE A - PART 3

Showing All Real Estate DISPOSED During the Quarter, Including Payments During the Final Year on "Sales Under Contract"

| 1                                       | Location    |       | 4             | 5                 | 6           | 7                                                                          | 8                                                         | Change in Book/Adjusted Carrying Value Less Encumbrances |                                                    |                                       |                                                        | 14                                                     | 15                                                         | 16                           | 17                                       | 18                               | 19                            | 20                                                         |                                      |  |  |  |  |  |  |  |
|-----------------------------------------|-------------|-------|---------------|-------------------|-------------|----------------------------------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------|----------------------------------------------------|---------------------------------------|--------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------|------------------------------|------------------------------------------|----------------------------------|-------------------------------|------------------------------------------------------------|--------------------------------------|--|--|--|--|--|--|--|
|                                         | 2           | 3     |               |                   |             |                                                                            |                                                           | 9                                                        | 10                                                 | 11                                    | 12                                                     |                                                        |                                                            |                              |                                          |                                  |                               |                                                            | 13                                   |  |  |  |  |  |  |  |
| Description of Property                 | City        | State | Disposal Date | Name of Purchaser | Actual Cost | Expended for Additions, Permanent Improvements and Changes in Encumbrances | Book/Adjusted Carrying Value Less Encumbrances Prior Year | Current Year's Depreciation                              | Current Other Than Temporary Impairment Recognized | Current Year's Change in Encumbrances | Total Change in Book/Adjusted Carrying Value (11-9-10) | Total Foreign Exchange in Book/Adjusted Carrying Value | Book/Adjusted Carrying Value Less Encumbrances on Disposal | Amounts Received During Year | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Gross Income Earned Less Interest Incurred on Encumbrances | Taxes, Repairs and Expenses Incurred |  |  |  |  |  |  |  |
| (274) INDUSTRIAL                        | PICO RIVERA | CA    | 09/30/2016    | Various           | 1           | 1                                                                          | 1                                                         |                                                          |                                                    |                                       |                                                        |                                                        | 1                                                          |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
| (7013) HANOVER ACQUISITION IV (Merritt) | WILMINGTON  | DE    | 09/30/2016    | Various           | 21,618      |                                                                            | 21,618                                                    |                                                          |                                                    |                                       |                                                        |                                                        | 21,618                                                     | 21,618                       |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
| (5037) SPENSER - PHASE I & II, LLC      |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
| (5044) SPENSER - PHASE III, LLC         | LAS VEGAS   | NV    | 09/30/2016    | Various           | 6,988,844   | (11,215)                                                                   | 3,326,250                                                 | 64,115                                                   |                                                    |                                       | (64,115)                                               |                                                        | 3,250,890                                                  | 7,799,196                    |                                          | 4,548,305                        | 4,548,305                     | 537,944                                                    | 126,756                              |  |  |  |  |  |  |  |
| (5049) SPENSER - PHASE IV, LLC          | LAS VEGAS   | NV    | 09/30/2016    | Various           | 3,704,314   | (29,041)                                                                   | 2,472,385                                                 | 112,170                                                  |                                                    |                                       | (112,170)                                              |                                                        | 2,331,173                                                  | 4,276,051                    |                                          | 1,944,878                        | 1,944,878                     | 259,222                                                    | 66,482                               |  |  |  |  |  |  |  |
| (1012) HOME OFFICE BUILDING MKT I       | LAS VEGAS   | NV    | 09/30/2016    | Various           | 2,552,552   | 21,394                                                                     | 1,428,019                                                 | 32,018                                                   |                                                    |                                       | (32,018)                                               |                                                        | 1,417,395                                                  | 3,189,467                    |                                          | 1,772,071                        | 1,772,071                     | 176,467                                                    | 66,542                               |  |  |  |  |  |  |  |
| Sale adjustment                         | BETHLEHEM   | PA    | 09/30/2016    | Various           | 3,020       |                                                                            | 3,020                                                     |                                                          |                                                    |                                       |                                                        |                                                        | 3,020                                                      | 3,020                        |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
| Various                                 |             |       | 09/30/2016    | Various           |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          | (35,370)                         | (35,370)                      | 45,291                                                     | 597,556                              |  |  |  |  |  |  |  |
| 01999999. Property Disposed             |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
| 02999999. Property Transferred          |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
| 03999999 - Totals                       |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               |                                                            |                                      |  |  |  |  |  |  |  |
|                                         |             |       |               |                   |             |                                                                            |                                                           |                                                          |                                                    |                                       |                                                        |                                                        |                                                            |                              |                                          |                                  |                               | </                                                         |                                      |  |  |  |  |  |  |  |

STATEMENT AS OF SEPTEMBER 30, 2016 OF THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

SCHEDULE B - PART 2

Showing All Mortgage Loans ACQUIRED AND ADDITIONS MADE During the Current Quarter

| 1<br>Loan Number                                                                                  | Location  |            | 4<br>Loan<br>Type | 5<br>Date Acquired | 6<br>Rate of Interest | 7<br>Actual Cost at<br>Time of Acquisition | 8<br>Additional<br>Investment Made<br>After Acquisition | 9<br>Value of Land<br>and Buildings |
|---------------------------------------------------------------------------------------------------|-----------|------------|-------------------|--------------------|-----------------------|--------------------------------------------|---------------------------------------------------------|-------------------------------------|
|                                                                                                   | 2<br>City | 3<br>State |                   |                    |                       |                                            |                                                         |                                     |
| 0199999. Mortgages in good standing - Farm Mortgages                                              |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 0299999. Mortgages in good standing - Residential mortgages-insured or guaranteed                 |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 0399999. Mortgages in good standing - Residential mortgages-all other                             |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 0499999. Mortgages in good standing - Commercial mortgages-insured or guaranteed                  |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 1092253                                                                                           | CONCORD   | CA         |                   | 08/15/2016         | 4.040                 | 18,000,000                                 |                                                         | 33,998,182                          |
| 1092254                                                                                           | CONCORD   | CA         |                   | 08/15/2016         | 4.040                 | 1,000                                      | 3                                                       | 88,260,000                          |
| 1092251                                                                                           | SAN DIEGO | CA         |                   | 08/09/2016         | 3.880                 | 35,500,000                                 |                                                         | 83,271,605                          |
| 1092255                                                                                           | ORLANDO   | FL         |                   | 08/25/2016         | 3.410                 | 27,100,000                                 |                                                         | 41,705,296                          |
| 1092256                                                                                           | TAMPA     | FL         |                   | 09/01/2016         | 3.100                 | 36,120,000                                 |                                                         | 65,000,000                          |
| 1092252                                                                                           | DECATUR   | GA         |                   | 08/11/2016         | 3.600                 | 23,000,000                                 |                                                         | 41,646,429                          |
| 1092250                                                                                           | NEW YORK  | NY         |                   | 07/06/2016         | 4.410                 | 49,500,000                                 | 82,637                                                  | 86,466,035                          |
| 1092168                                                                                           | HOUSTON   | TX         |                   | 07/24/2013         | 4.600                 |                                            | 82,640                                                  | 57,000,000                          |
| 0599999. Mortgages in good standing - Commercial mortgages-all other                              |           |            |                   |                    |                       | 189,221,000                                |                                                         | 507,347,567                         |
| 0699999. Mortgages in good standing - Mezzanine Loans                                             |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 0799999. Mortgages in good standing not shown on Lines 0199999-0699999                            |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 0899999. Total Mortgages in good standing                                                         |           |            |                   |                    |                       | 189,221,000                                | 82,640                                                  | 507,347,567                         |
| 0999999. Restructured mortgages - Farm Mortgages                                                  |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 1099999. Restructured mortgages - Residential mortgages-insured or guaranteed                     |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 1199999. Restructured mortgages - Residential mortgages-all other                                 |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 1299999. Restructured mortgages - Commercial mortgages-insured or guaranteed                      |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 1399999. Restructured mortgages - Commercial mortgages-all other                                  |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 1499999. Restructured mortgages - Mezzanine Loans                                                 |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 1599999. Restructured mortgages not shown on Lines 0999999- 1499999                               |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 1699999. Total - Restructured Mortgages                                                           |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 1799999. Mortgages with overdue interest over 90 days-Farm Mortgages                              |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 1899999. Mortgages with overdue interest over 90 days-Residential mortgages-insured or guaranteed |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 1999999. Mortgages with overdue interest over 90 days-Residential mortgages-all other             |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 2099999. Mortgages with overdue interest over 90 days-Commercial mortgages-insured or guaranteed  |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 2199999. Mortgages with overdue interest over 90 days-Commercial mortgages-all other              |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 2299999. Mortgages with overdue interest over 90 days - Mezzanine Loans                           |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 2399999. Mortgages with overdue interest over 90 days-Not shown on Lines 1799999-2299999          |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 2499999. Total - Mortgages with overdue interest over 90 days                                     |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 2599999. Mortgages in process of foreclosure-Farm Mortgages                                       |           |            |                   |                    |                       |                                            |                                                         |                                     |
| 2699999. Mortgages in process of foreclosure-Residential mortgages-insured or guaranteed          |           |            |                   |                    |                       |                                            |                                                         |                                     |

STATEMENT AS OF SEPTEMBER 30, 2016 OF THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

SCHEDULE B - PART 2

Showing All Mortgage Loans ACQUIRED AND ADDITIONS MADE During the Current Quarter

| 1<br>Loan Number                                                                        | Location  |            | 4<br>Loan Type | 5<br>Date Acquired | 6<br>Rate of Interest | 7<br>Actual Cost at Time of Acquisition | 8<br>Additional Investment Made After Acquisition | 9<br>Value of Land and Buildings |
|-----------------------------------------------------------------------------------------|-----------|------------|----------------|--------------------|-----------------------|-----------------------------------------|---------------------------------------------------|----------------------------------|
|                                                                                         | 2<br>City | 3<br>State |                |                    |                       |                                         |                                                   |                                  |
| 2799999. Mortgages in process of foreclosure-Residential mortgages-all other            |           |            |                |                    |                       |                                         |                                                   |                                  |
| 2899999. Mortgages in process of foreclosure-Commercial mortgages-insured or guaranteed |           |            |                |                    |                       |                                         |                                                   |                                  |
| 2999999. Mortgages in process of foreclosure-Commercial mortgages-all other             |           |            |                |                    |                       |                                         |                                                   |                                  |
| 3099999. Mortgages in process of foreclosure - Mezzanine Loans                          |           |            |                |                    |                       |                                         |                                                   |                                  |
| 3199999. Mortgages in the process of foreclosure not shown on Lines 2599999-3099999     |           |            |                |                    |                       |                                         |                                                   |                                  |
| 3299999. Total - Mortgages in the process of foreclosure                                |           |            |                |                    |                       | 188,221,000                             | 82,640                                            | 507,347,567                      |

SCHEDULE B - PART 3

Showing All Mortgage Loans DISPOSED, Transferred or Repaid During the Current Quarter

| 1<br>Loan Number                       | Location  |            | 4<br>Loan Type | 5<br>Date Acquired | 6<br>Disposal Date | 7<br>Book Value/<br>Recorded Investment<br>Excluding<br>Accrued Interest<br>Prior Year | Change in Book Value/Recorded Investment      |                                               |                                                       | 11<br>Capitalized Deferred Interest and Other | 12<br>Total Change in Book Value (8+9-10+11) | 13<br>Total Foreign Exchange Change in Book Value | 14<br>Book Value/<br>Recorded Investment<br>Excluding<br>Accrued Interest on Disposal | 15<br>Consid-eration | 16<br>Foreign Exchange Gain (Loss) on Disposal | 17<br>Realized Gain (Loss) on Disposal | 18<br>Total Gain (Loss) on Disposal |
|----------------------------------------|-----------|------------|----------------|--------------------|--------------------|----------------------------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|-------------------------------------------------------|-----------------------------------------------|----------------------------------------------|---------------------------------------------------|---------------------------------------------------------------------------------------|----------------------|------------------------------------------------|----------------------------------------|-------------------------------------|
|                                        | 2<br>City | 3<br>State |                |                    |                    |                                                                                        | 8<br>Unrealized Valuation Increase (Decrease) | 9<br>Current Year's (Amortization) /Accretion | 10<br>Current Year's Other Than Impairment Recognized |                                               |                                              |                                                   |                                                                                       |                      |                                                |                                        |                                     |
| 1052033 BURLAK CA                      |           |            |                | 10/26/2006         | 08/05/2016         | 6,027,447                                                                              |                                               |                                               |                                                       |                                               |                                              |                                                   | 5,970,365                                                                             | 5,970,365            |                                                |                                        |                                     |
| 1052030 PARMONT CA                     |           |            |                | 09/27/2006         | 07/07/2016         | 7,138,989                                                                              |                                               |                                               |                                                       |                                               |                                              |                                                   | 7,064,161                                                                             | 7,064,161            |                                                |                                        |                                     |
| 28293 PASADENA CA                      |           |            |                | 10/01/2014         | 09/13/2016         | 2,460,574                                                                              |                                               | (55,994)                                      |                                                       |                                               | (55,994)                                     |                                                   | 2,322,962                                                                             | 2,322,962            |                                                |                                        |                                     |
| 1052035 HAINES CITY FL                 |           |            |                | 11/29/2006         | 09/06/2016         | 4,326,357                                                                              |                                               |                                               |                                                       |                                               |                                              |                                                   | 4,276,430                                                                             | 4,276,430            |                                                |                                        |                                     |
| 1052118 HAINES CITY FL                 |           |            |                | 12/04/2008         | 09/06/2016         | 2,435,569                                                                              |                                               |                                               |                                                       |                                               |                                              |                                                   | 2,407,593                                                                             | 2,407,593            |                                                |                                        |                                     |
| 1052034 NAPLES FL                      |           |            |                | 11/03/2006         | 09/21/2016         | 6,853,062                                                                              |                                               |                                               |                                                       |                                               |                                              |                                                   | 6,770,979                                                                             | 6,770,979            |                                                |                                        |                                     |
| 1052066 CHICAGO IL                     |           |            |                | 07/12/2007         | 09/08/2016         | 32,771,151                                                                             |                                               |                                               |                                                       |                                               | 101,409                                      |                                                   | 33,000,000                                                                            | 33,000,000           |                                                |                                        |                                     |
| 28286 FLORENCE KY                      |           |            |                | 10/01/2014         | 08/03/2016         | 4,115,026                                                                              |                                               | (28,250)                                      |                                                       |                                               | (28,250)                                     |                                                   | 3,952,195                                                                             | 3,952,195            |                                                |                                        |                                     |
| 1051800 BOSTON MA                      |           |            |                | 09/13/2002         | 08/19/2016         | 6,616,074                                                                              |                                               |                                               |                                                       |                                               |                                              |                                                   | 6,165,347                                                                             | 6,165,347            |                                                |                                        |                                     |
| 1052043 BOSTON MA                      |           |            |                | 12/27/2006         | 08/15/2016         | 29,999,992                                                                             |                                               |                                               |                                                       |                                               |                                              |                                                   | 30,000,000                                                                            | 30,000,000           |                                                |                                        |                                     |
| 1052074 BOSTON MA                      |           |            |                | 08/30/2007         | 08/19/2016         | 5,386,257                                                                              |                                               |                                               |                                                       |                                               |                                              |                                                   | 5,297,391                                                                             | 5,297,391            |                                                |                                        |                                     |
| 1051795 FALL RIVER MA                  |           |            |                | 04/14/1999         | 09/13/2016         | 593,210                                                                                |                                               |                                               |                                                       |                                               |                                              |                                                   | 506,009                                                                               | 506,009              |                                                |                                        |                                     |
| 27999 CHARLOTTE NC                     |           |            |                | 10/01/2014         | 08/17/2016         | 1,716,950                                                                              |                                               | (289,227)                                     |                                                       |                                               | (289,227)                                    |                                                   | 1,352,884                                                                             | 1,352,884            |                                                |                                        |                                     |
| 1052055 WILLOUGHBY OH                  |           |            |                | 04/26/2007         | 07/13/2016         | 4,199,954                                                                              |                                               |                                               |                                                       |                                               |                                              |                                                   | 4,135,608                                                                             | 4,135,608            |                                                |                                        |                                     |
| 28314 PORTLAND OR                      |           |            |                | 10/01/2014         | 08/12/2016         | 2,208,679                                                                              |                                               | (194,109)                                     |                                                       |                                               | (194,109)                                    |                                                   | 1,931,571                                                                             | 1,931,571            |                                                |                                        |                                     |
| 28310 PHILADELPHIA PA                  |           |            |                | 10/01/2014         | 09/06/2016         | 4,284,408                                                                              |                                               | (223,194)                                     |                                                       |                                               | (223,194)                                    |                                                   | 3,935,508                                                                             | 3,935,508            |                                                |                                        |                                     |
| 28290 VIRGINIA BEACH VA                |           |            |                | 10/01/2014         | 08/09/2016         | 1,630,947                                                                              |                                               | (12,269)                                      |                                                       |                                               | (12,269)                                     |                                                   | 1,529,030                                                                             | 1,529,030            |                                                |                                        |                                     |
| 0199999. Mortgages closed by repayment |           |            |                |                    |                    | 122,754,646                                                                            |                                               | (701,233)                                     |                                                       |                                               | (701,233)                                    |                                                   | 120,618,033                                                                           | 120,618,033          |                                                |                                        |                                     |
| 1051765 MOBILE AL                      |           |            |                | 07/27/1998         |                    | 103,180                                                                                |                                               |                                               |                                                       |                                               | (701,233)                                    |                                                   | 103,180                                                                               | 103,180              |                                                |                                        |                                     |
| 1052117 CHANDLER AZ                    |           |            |                | 12/02/2008         |                    | 44,060                                                                                 |                                               |                                               |                                                       |                                               |                                              |                                                   | 44,060                                                                                | 44,060               |                                                |                                        |                                     |
| 1052088 MESA AZ                        |           |            |                | 02/07/2008         |                    | 79,705                                                                                 |                                               |                                               |                                                       |                                               |                                              |                                                   | 79,705                                                                                | 79,705               |                                                |                                        |                                     |
| 1051822 PEORIA AZ                      |           |            |                | 01/24/2000         |                    | 39,400                                                                                 |                                               |                                               |                                                       |                                               |                                              |                                                   | 39,400                                                                                | 39,400               |                                                |                                        |                                     |
| 28288 PHOENIX AZ                       |           |            |                | 10/01/2014         |                    | 19,102                                                                                 |                                               | (19,648)                                      |                                                       |                                               | (19,648)                                     |                                                   | 19,102                                                                                | 19,102               |                                                |                                        |                                     |
| 28307 PHOENIX AZ                       |           |            |                | 10/01/2014         |                    | 13,261                                                                                 |                                               | (16,623)                                      |                                                       |                                               | (16,623)                                     |                                                   | 13,261                                                                                | 13,261               |                                                |                                        |                                     |
| 28227 ANAHEIM CA                       |           |            |                | 10/01/2014         |                    | 11,997                                                                                 |                                               | (16,122)                                      |                                                       |                                               | (16,122)                                     |                                                   | 11,997                                                                                | 11,997               |                                                |                                        |                                     |
| 28333 BEVERLY HILLS CA                 |           |            |                | 10/01/2014         |                    | 31,804                                                                                 |                                               | (19,379)                                      |                                                       |                                               | (19,379)                                     |                                                   | 31,804                                                                                | 31,804               |                                                |                                        |                                     |
| 1052195 BUENA PARK CA                  |           |            |                | 10/30/2014         |                    | 69,861                                                                                 |                                               | (19,497)                                      |                                                       |                                               | (19,497)                                     |                                                   | 69,861                                                                                | 69,861               |                                                |                                        |                                     |
| 28335 BURBANK CA                       |           |            |                | 10/01/2014         |                    | 23,793                                                                                 |                                               |                                               |                                                       |                                               |                                              |                                                   | 23,793                                                                                | 23,793               |                                                |                                        |                                     |
| 1052102 BURBANK CA                     |           |            |                | 08/07/2008         |                    | 19,639                                                                                 |                                               |                                               |                                                       |                                               |                                              |                                                   | 19,639                                                                                | 19,639               |                                                |                                        |                                     |
| 1052103 BURBANK CA                     |           |            |                | 08/07/2008         |                    | 32,922                                                                                 |                                               |                                               |                                                       |                                               |                                              |                                                   | 32,922                                                                                | 32,922               |                                                |                                        |                                     |
| 1052129 BURBANK CA                     |           |            |                | 06/05/2010         |                    | 79,069                                                                                 |                                               |                                               |                                                       |                                               |                                              |                                                   | 79,069                                                                                | 79,069               |                                                |                                        |                                     |
| 1052200 BURBANK CA                     |           |            |                | 12/22/2014         |                    | 29,154                                                                                 |                                               |                                               |                                                       |                                               |                                              |                                                   | 29,154                                                                                | 29,154               |                                                |                                        |                                     |
| 1052112 CALABASS CA                    |           |            |                | 11/03/2008         |                    | 29,239                                                                                 |                                               |                                               |                                                       |                                               |                                              |                                                   | 29,239                                                                                | 29,239               |                                                |                                        |                                     |

SCHEDULE B - PART 3

Showing All Mortgage Loans DISPOSED, Transferred or Repaid During the Current Quarter

| 1<br>Loan Number | Location          |            | 4<br>Loan Type | 5<br>Date Acquired | 6<br>Disposal Date | 7<br>Book Value/<br>Recorded<br>Investment<br>Excluding<br>Accrued<br>Interest<br>Prior Year | Change in Book Value/Recorded Investment               |                                                        |                                                                                |                                                        | 14<br>Book Value/<br>Recorded<br>Investment<br>Excluding<br>Accrued<br>Interest on<br>Disposal | 15<br>Consid-<br>eration                                   | 16<br>Foreign<br>Exchange<br>Gain<br>(Loss) on<br>Disposal | 17<br>Realized<br>Gain<br>(Loss) on<br>Disposal | 18<br>Total<br>Gain<br>(Loss) on<br>Disposal |
|------------------|-------------------|------------|----------------|--------------------|--------------------|----------------------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------|----------------------------------------------|
|                  | 2<br>City         | 3<br>State |                |                    |                    |                                                                                              | 8<br>Unrealized<br>Valuation<br>Increase<br>(Decrease) | 9<br>Current<br>Year's<br>(Amortization)<br>/Accretion | 10<br>Current<br>Year's Other<br>Than<br>Temporary<br>Impairment<br>Recognized | 11<br>Capitalized<br>Deferred<br>Interest and<br>Other | 12<br>Total<br>Change<br>in<br>Book Value<br>(8+9-10+11)                                       | 13<br>Total Foreign<br>Exchange<br>Change in<br>Book Value |                                                            |                                                 |                                              |
| 1051965          | CAPTOLA           | CA         |                | 10/24/2005         |                    | 49,337                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 49,337                                                     |                                                            |                                                 |                                              |
| 1052231          | Carlsbad          | CA         |                | 12/11/2015         |                    | 131,237                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 131,237                                                    |                                                            |                                                 |                                              |
| 28330            | CHATHAM           | CA         |                | 10/01/2014         |                    | 15,187                                                                                       |                                                        | (34,814)                                               |                                                                                |                                                        | (34,814)                                                                                       |                                                            |                                                            |                                                 |                                              |
| 1052116          | EL CERRITO        | CA         |                | 12/01/2008         |                    | 189,345                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 189,345                                                    |                                                            |                                                 |                                              |
| 28336            | ESCONDIDO         | CA         |                | 10/01/2014         |                    | 23,893                                                                                       |                                                        | (15,091)                                               |                                                                                |                                                        | (15,091)                                                                                       |                                                            |                                                            |                                                 |                                              |
| 1052075          | FRESNO            | CA         |                | 09/05/2007         |                    | 92,789                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 92,789                                                     |                                                            |                                                 |                                              |
| 1052115          | FULLERTON         | CA         |                | 12/01/2008         |                    | 61,652                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 61,652                                                     |                                                            |                                                 |                                              |
| 28317            | IRVINE            | CA         |                | 10/01/2014         |                    | 14,928                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 14,928                                                     |                                                            |                                                 |                                              |
| 1052198          | IRVINE            | CA         |                | 12/01/2014         |                    | 230,667                                                                                      |                                                        | (16,347)                                               |                                                                                |                                                        | (16,347)                                                                                       |                                                            |                                                            |                                                 |                                              |
| 1052203          | IRVINE            | CA         |                | 12/01/2014         |                    | 230,667                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 230,667                                                    |                                                            |                                                 |                                              |
| 1052023          | IRVINE            | CA         |                | 03/23/2015         |                    | 198,869                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 198,869                                                    |                                                            |                                                 |                                              |
| 1052091          | LA PUENTE         | CA         |                | 02/28/2008         |                    | 64,705                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 64,705                                                     |                                                            |                                                 |                                              |
| 1052164          | LAGUNA WOODS      | CA         |                | 05/02/2013         |                    | 83,192                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 83,192                                                     |                                                            |                                                 |                                              |
| 1052246          | LAKELAND          | CA         |                | 05/05/2016         |                    | 56,423                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 56,423                                                     |                                                            |                                                 |                                              |
| 28325            | LOS ANGELES       | CA         |                | 10/01/2014         |                    | 9,559                                                                                        |                                                        | (15,751)                                               |                                                                                |                                                        | (15,751)                                                                                       |                                                            |                                                            |                                                 |                                              |
| 1052110          | LOS ANGELES       | CA         |                | 10/23/2008         |                    | 65,172                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 65,172                                                     |                                                            |                                                 |                                              |
| 1052178          | LOS ANGELES       | CA         |                | 12/17/2013         |                    | 52,988                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 52,988                                                     |                                                            |                                                 |                                              |
| 1052228          | LOS ANGELES       | CA         |                | 11/30/2015         |                    | 250,470                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 250,470                                                    |                                                            |                                                 |                                              |
| 1051758          | MERED             | CA         |                | 06/18/1998         |                    | 45,130                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 45,130                                                     |                                                            |                                                 |                                              |
| 1052194          | NORTHridge        | CA         |                | 10/30/2014         |                    | 69,861                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 69,861                                                     |                                                            |                                                 |                                              |
| 28318            | ONTARIO           | CA         |                | 10/01/2014         |                    | 24,560                                                                                       |                                                        | (32,255)                                               |                                                                                |                                                        | (32,255)                                                                                       |                                                            |                                                            |                                                 |                                              |
| 1052085          | ONTARIO           | CA         |                | 12/20/2007         |                    | 31,703                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 31,703                                                     |                                                            |                                                 |                                              |
| 1051889          | ORANGE            | CA         |                | 09/12/2002         |                    | 163,164                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 163,164                                                    |                                                            |                                                 |                                              |
| 1052107          | ORANGE            | CA         |                | 09/25/2008         |                    | 171,437                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 171,437                                                    |                                                            |                                                 |                                              |
| 1052089          | PALM DESERT       | CA         |                | 02/11/2008         |                    | 52,356                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 52,356                                                     |                                                            |                                                 |                                              |
| 28294            | PASADENA          | CA         |                | 10/01/2014         |                    | 43,796                                                                                       |                                                        | (7,845)                                                |                                                                                |                                                        | (7,845)                                                                                        |                                                            |                                                            |                                                 |                                              |
| 28304            | PLACENTIA         | CA         |                | 10/01/2014         |                    | 22,410                                                                                       |                                                        | (19,073)                                               |                                                                                |                                                        | (19,073)                                                                                       |                                                            |                                                            |                                                 |                                              |
| 1052066          | PLACENTIA         | CA         |                | 07/10/2007         |                    | 38,703                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 38,703                                                     |                                                            |                                                 |                                              |
| 1052067          | PLACENTIA         | CA         |                | 07/10/2007         |                    | 22,480                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 22,480                                                     |                                                            |                                                 |                                              |
| 1052054          | RANCHO CUCAMONGA  | CA         |                | 04/16/2007         |                    | 40,811                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 40,811                                                     |                                                            |                                                 |                                              |
| 1052111          | REDONDO BEACH     | CA         |                | 10/23/2008         |                    | 36,279                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 36,279                                                     |                                                            |                                                 |                                              |
| 1052023          | ROBERT PARK       | CA         |                | 06/02/2006         |                    | 45,638                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 45,638                                                     |                                                            |                                                 |                                              |
| 1052090          | SAN DIEGO         | CA         |                | 02/21/2008         |                    | 36,964                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 36,964                                                     |                                                            |                                                 |                                              |
| 1052113          | SAN DIEGO         | CA         |                | 11/12/2008         |                    | 19,990                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 19,990                                                     |                                                            |                                                 |                                              |
| 1052157          | SAN DIEGO         | CA         |                | 10/01/2012         |                    | 170,476                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 170,476                                                    |                                                            |                                                 |                                              |
| 1052160          | SAN DIEGO         | CA         |                | 10/23/2012         |                    | 160,690                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 160,690                                                    |                                                            |                                                 |                                              |
| 1052169          | SAN DIEGO         | CA         |                | 06/01/2013         |                    | 92,536                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 92,536                                                     |                                                            |                                                 |                                              |
| 1052177          | SAN DIEGO         | CA         |                | 12/05/2013         |                    | 7,747                                                                                        |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 7,747                                                      |                                                            |                                                 |                                              |
| 28303            | SAN FRANCISCO     | CA         |                | 10/01/2014         |                    | 13,627                                                                                       |                                                        | (4,569)                                                |                                                                                |                                                        | (4,569)                                                                                        |                                                            |                                                            |                                                 |                                              |
| 1052136          | SAN JOSE          | CA         |                | 03/31/2011         |                    | 155,523                                                                                      |                                                        | (23,951)                                               |                                                                                |                                                        | (23,951)                                                                                       |                                                            |                                                            |                                                 |                                              |
| 1052173          | SAN MATEO         | CA         |                | 09/03/2013         |                    | 127,931                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 127,931                                                    |                                                            |                                                 |                                              |
| 1052056          | SANTA CLARITA ... | CA         |                | 04/30/2007         |                    | 42,890                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 42,890                                                     |                                                            |                                                 |                                              |
| 1051834          | SANTA FE SPRINGS  | CA         |                | 07/14/2000         |                    | 71,863                                                                                       |                                                        | (15,751)                                               |                                                                                |                                                        | (15,751)                                                                                       |                                                            |                                                            |                                                 |                                              |
| 1052237          | SANTA MONICA      | CA         |                | 04/07/2016         |                    | 30,343                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 30,343                                                     |                                                            |                                                 |                                              |
| 1052163          | SIMI VALLEY       | CA         |                | 04/23/2013         |                    | 38,673                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 38,673                                                     |                                                            |                                                 |                                              |
| 1052174          | TUSTIN            | CA         |                | 09/19/2013         |                    | 38,821                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 38,821                                                     |                                                            |                                                 |                                              |
| 1052142          | VISTA             | CA         |                | 10/31/2011         |                    | 71,120                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 71,120                                                     |                                                            |                                                 |                                              |
| 1052170          | WALNUT CREEK      | CA         |                | 06/06/2013         |                    | 142,405                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 142,405                                                    |                                                            |                                                 |                                              |
| 1052013          | YORBA LINDA       | CA         |                | 03/30/2006         |                    | 88,702                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 88,702                                                     |                                                            |                                                 |                                              |
| 1052166          | YORBA LINDA       | CA         |                | 06/26/2013         |                    | 62,919                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 62,919                                                     |                                                            |                                                 |                                              |
| 1051879          | BOULDER           | CO         |                | 12/27/2001         |                    | 165,408                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 165,408                                                    |                                                            |                                                 |                                              |
| 1052196          | BOULDER           | CO         |                | 11/18/2014         |                    | 20,280                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 20,280                                                     |                                                            |                                                 |                                              |
| 1051808          | COLORADO SPRINGS  | CO         |                | 07/27/1999         |                    | 37,949                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 37,949                                                     |                                                            |                                                 |                                              |
| 1052137          | DEWEER            | CO         |                | 06/30/2011         |                    | 33,687                                                                                       |                                                        | (14,895)                                               |                                                                                |                                                        | (14,895)                                                                                       |                                                            |                                                            |                                                 |                                              |
| 1052050          | LITTLETON         | CO         |                | 02/28/2007         |                    | 87,373                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 87,373                                                     |                                                            |                                                 |                                              |
| 1052126          | WASHINGTON        | DC         |                | 02/19/2010         |                    | 96,088                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 96,088                                                     |                                                            |                                                 |                                              |
| 1052130          | WASHINGTON        | DC         |                | 09/22/2010         |                    | 78,368                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 78,368                                                     |                                                            |                                                 |                                              |
| 1052132          | WASHINGTON        | DC         |                | 11/30/2010         |                    | 79,405                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 79,405                                                     |                                                            |                                                 |                                              |
| 1052154          | WASHINGTON        | DC         |                | 08/30/2012         |                    | 52,567                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 52,567                                                     |                                                            |                                                 |                                              |
| 28309            | LAUREL            | DE         |                | 10/01/2014         |                    | 46,484                                                                                       |                                                        | (17,487)                                               |                                                                                |                                                        | (17,487)                                                                                       |                                                            |                                                            |                                                 |                                              |
| 1052141          | NEW CASTLE        | DE         |                | 10/27/2011         |                    | 35,560                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 35,560                                                     |                                                            |                                                 |                                              |



SCHEDULE B - PART 3

Showing All Mortgage Loans DISPOSED, Transferred or Repaid During the Current Quarter

| 1           |                 | Location |           | 4             | 5             | 6                                                                    | 7 | Change in Book Value/Recorded Investment |    |    |          |    | 14                                                                    | 15             | 16                                       | 17                               | 18                            |
|-------------|-----------------|----------|-----------|---------------|---------------|----------------------------------------------------------------------|---|------------------------------------------|----|----|----------|----|-----------------------------------------------------------------------|----------------|------------------------------------------|----------------------------------|-------------------------------|
| Loan Number | City            | State    | Loan Type | Date Acquired | Disposal Date | Book Value/Recorded Investment Excluding Accrued Interest Prior Year | 8 | 9                                        | 10 | 11 | 12       | 13 | Book Value/Recorded Investment Excluding Accrued Interest on Disposal | Consid-eration | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal |
| 1052245     | NEW CASTLE      | DE       |           | 04/21/2016    |               | 81,771                                                               |   |                                          |    |    |          |    | 81,771                                                                | 81,771         |                                          |                                  |                               |
| 1052098     | AUBURNDALE      | FL       |           | 06/02/2008    |               | 24,607                                                               |   |                                          |    |    |          |    | 24,607                                                                | 24,607         |                                          |                                  |                               |
| 28278       | BOCA RATON      | FL       |           | 10/01/2014    |               | 10,591                                                               |   |                                          |    |    |          |    | 10,591                                                                | 10,591         |                                          |                                  |                               |
| 1051960     | BOCA RATON      | FL       |           | 02/16/2005    |               | 13,785                                                               |   |                                          |    |    |          |    | 13,785                                                                | 13,785         |                                          |                                  |                               |
| 1052079     | BOCA RATON      | FL       |           | 10/22/2007    |               | 128,238                                                              |   |                                          |    |    |          |    | 128,238                                                               | 128,238        |                                          |                                  |                               |
| 1052036     | BOYTON BEACH    | FL       |           | 12/01/2006    |               | 26,461                                                               |   |                                          |    |    |          |    | 26,461                                                                | 26,461         |                                          |                                  |                               |
| 1052071     | DAVIE           | FL       |           | 09/09/2007    |               | 61,763                                                               |   |                                          |    |    |          |    | 61,763                                                                | 61,763         |                                          |                                  |                               |
| 28275       | DEERFIELD BEACH | FL       |           | 10/01/2014    |               | 3,017                                                                |   |                                          |    |    |          |    | 3,017                                                                 | 3,017          |                                          |                                  |                               |
| 1052235     | DELRAY BEACH    | FL       |           | 12/30/2015    |               | 53,467                                                               |   |                                          |    |    |          |    | 53,467                                                                | 53,467         |                                          |                                  |                               |
| 1052044     | JACKSONVILLE    | FL       |           | 12/21/2006    |               | 52,525                                                               |   |                                          |    |    |          |    | 52,525                                                                | 52,525         |                                          |                                  |                               |
| 1052045     | JACKSONVILLE    | FL       |           | 12/21/2006    |               | 25,882                                                               |   |                                          |    |    |          |    | 25,882                                                                | 25,882         |                                          |                                  |                               |
| 28276       | LAKE WORTH      | FL       |           | 10/01/2014    |               | 8,621                                                                |   |                                          |    |    |          |    | 8,621                                                                 | 8,621          |                                          |                                  |                               |
| 1052124     | MIAMI LAKES     | FL       |           | 12/21/2009    |               | 136,052                                                              |   |                                          |    |    |          |    | 136,052                                                               | 136,052        |                                          |                                  |                               |
| 28298       | NAPLES          | FL       |           | 10/01/2014    |               | 10,057                                                               |   | (15,655)                                 |    |    | (15,655) |    | 10,057                                                                | 10,057         |                                          |                                  |                               |
| 1052249     | NAPLES          | FL       |           | 06/29/2016    |               | 17,878                                                               |   |                                          |    |    |          |    | 17,878                                                                | 17,878         |                                          |                                  |                               |
| 1052150     | ORLANDO         | FL       |           | 05/15/2012    |               | 139,008                                                              |   |                                          |    |    |          |    | 139,008                                                               | 139,008        |                                          |                                  |                               |
| 28277       | POINCIPE BEACH  | FL       |           | 10/01/2014    |               | 12,500                                                               |   | (3,130)                                  |    |    | (3,130)  |    | 12,500                                                                | 12,500         |                                          |                                  |                               |
| 28270       | ALPHARETTA      | GA       |           | 10/01/2014    |               | 23,148                                                               |   | (5,348)                                  |    |    | (5,348)  |    | 23,148                                                                | 23,148         |                                          |                                  |                               |
| 28280       | ATLANTA         | GA       |           | 10/01/2014    |               | 38,013                                                               |   |                                          |    |    |          |    | 38,013                                                                | 38,013         |                                          |                                  |                               |
| 1051920     | CHAMBLEE        | GA       |           | 05/03/2004    |               | 179,278                                                              |   |                                          |    |    |          |    | 179,278                                                               | 179,278        |                                          |                                  |                               |
| 28239       | GAINESVILLE     | GA       |           | 10/01/2014    |               | 91,925                                                               |   | (1,572)                                  |    |    | (1,572)  |    | 91,925                                                                | 91,925         |                                          |                                  |                               |
| 1052000     | GRIFFIN         | GA       |           | 02/16/2006    |               | 171,119                                                              |   |                                          |    |    |          |    | 171,119                                                               | 171,119        |                                          |                                  |                               |
| 28236       | HAMPTON         | GA       |           | 10/01/2014    |               | 25,972                                                               |   | (2,970)                                  |    |    | (2,970)  |    | 25,972                                                                | 25,972         |                                          |                                  |                               |
| 28319       | BUFFALO GROVE   | IL       |           | 10/01/2014    |               | 12,671                                                               |   | (12,200)                                 |    |    | (12,200) |    | 12,671                                                                | 12,671         |                                          |                                  |                               |
| 28324       | BUFFALO GROVE   | IL       |           | 10/01/2014    |               | 22,307                                                               |   | (21,598)                                 |    |    | (21,598) |    | 22,307                                                                | 22,307         |                                          |                                  |                               |
| 28331       | BUFFALO GROVE   | IL       |           | 10/01/2014    |               | 21,267                                                               |   | (15,181)                                 |    |    | (15,181) |    | 21,267                                                                | 21,267         |                                          |                                  |                               |
| 1052101     | GENEVA          | IL       |           | 07/23/2008    |               | 29,647                                                               |   |                                          |    |    |          |    | 29,647                                                                | 29,647         |                                          |                                  |                               |
| 28334       | ITASCA          | IL       |           | 10/01/2014    |               | 27,289                                                               |   | (20,281)                                 |    |    | (20,281) |    | 27,289                                                                | 27,289         |                                          |                                  |                               |
| 28323       | LAKE COUNTY     | IL       |           | 10/01/2014    |               | 22,307                                                               |   | (21,598)                                 |    |    | (21,598) |    | 22,307                                                                | 22,307         |                                          |                                  |                               |
| 1051977     | PALATINE        | IL       |           | 09/26/2005    |               | 94,879                                                               |   |                                          |    |    |          |    | 94,879                                                                | 94,879         |                                          |                                  |                               |
| 1052156     | WALTON          | KY       |           | 10/01/2012    |               | 178,207                                                              |   |                                          |    |    |          |    | 178,207                                                               | 178,207        |                                          |                                  |                               |
| 28312       | METARIE         | LA       |           | 10/01/2014    |               | 28,143                                                               |   | (35,137)                                 |    |    | (35,137) |    | 28,143                                                                | 28,143         |                                          |                                  |                               |
| 1052008     | ALLSTON         | MA       |           | 03/10/2006    |               | 85,925                                                               |   |                                          |    |    |          |    | 85,925                                                                | 85,925         |                                          |                                  |                               |
| 1052204     | Boston          | MA       |           | 04/30/2015    |               | 32,390                                                               |   |                                          |    |    |          |    | 32,390                                                                | 32,390         |                                          |                                  |                               |
| 1052205     | Boston          | MA       |           | 04/30/2015    |               | 63,581                                                               |   |                                          |    |    |          |    | 63,581                                                                | 63,581         |                                          |                                  |                               |
| 1052208     | Boston          | MA       |           | 05/21/2015    |               | 25,594                                                               |   |                                          |    |    |          |    | 25,594                                                                | 25,594         |                                          |                                  |                               |
| 1052209     | Boston          | MA       |           | 05/21/2015    |               | 44,730                                                               |   |                                          |    |    |          |    | 44,730                                                                | 44,730         |                                          |                                  |                               |
| 1052210     | Boston          | MA       |           | 05/21/2015    |               | 45,926                                                               |   |                                          |    |    |          |    | 45,926                                                                | 45,926         |                                          |                                  |                               |
| 1052224     | Boston          | MA       |           | 11/05/2015    |               | 153,453                                                              |   |                                          |    |    |          |    | 153,453                                                               | 153,453        |                                          |                                  |                               |
| 1052009     | BRIGHTON        | MA       |           | 03/10/2006    |               | 56,880                                                               |   |                                          |    |    |          |    | 56,880                                                                | 56,880         |                                          |                                  |                               |
| 1052014     | BRIGHTON        | MA       |           | 04/21/2006    |               | 62,649                                                               |   |                                          |    |    |          |    | 62,649                                                                | 62,649         |                                          |                                  |                               |
| 1052206     | BROOKLINE       | MA       |           | 05/01/2015    |               | 38,074                                                               |   |                                          |    |    |          |    | 38,074                                                                | 38,074         |                                          |                                  |                               |
| 28328       | CONCORD         | MA       |           | 10/01/2014    |               | 15,989                                                               |   | (13,541)                                 |    |    | (13,541) |    | 15,989                                                                | 15,989         |                                          |                                  |                               |
| 1051748     | KINSTON         | MA       |           | 02/02/1988    |               | 51,601                                                               |   |                                          |    |    |          |    | 51,601                                                                | 51,601         |                                          |                                  |                               |
| 1051749     | MARSTON MILLS   | MA       |           | 02/02/1988    |               | 26,407                                                               |   |                                          |    |    |          |    | 26,407                                                                | 26,407         |                                          |                                  |                               |
| 1052192     | PEABODY         | MA       |           | 09/24/2014    |               | 21,399                                                               |   |                                          |    |    |          |    | 21,399                                                                | 21,399         |                                          |                                  |                               |
| 1051957     | BELTSVILLE      | MD       |           | 01/11/2005    |               | 57,825                                                               |   |                                          |    |    |          |    | 57,825                                                                | 57,825         |                                          |                                  |                               |
| 1052158     | BETHESDA        | MD       |           | 10/09/2012    |               | 148,427                                                              |   |                                          |    |    |          |    | 148,427                                                               | 148,427        |                                          |                                  |                               |
| 28316       | ELLIOTT CITY    | MD       |           | 10/01/2014    |               | 23,086                                                               |   | (25,878)                                 |    |    | (25,878) |    | 23,086                                                                | 23,086         |                                          |                                  |                               |
| 1052186     | FREDERICK       | MD       |           | 03/31/2014    |               | 83,839                                                               |   |                                          |    |    |          |    | 83,839                                                                | 83,839         |                                          |                                  |                               |
| 1051905     | GAITHERSBURG    | MD       |           | 06/13/2003    |               | 79,922                                                               |   |                                          |    |    |          |    | 79,922                                                                | 79,922         |                                          |                                  |                               |
| 1052145     | GAITHERSBURG    | MD       |           | 03/08/2012    |               | 178,195                                                              |   |                                          |    |    |          |    | 178,195                                                               | 178,195        |                                          |                                  |                               |
| 1052146     | GAITHERSBURG    | MD       |           | 03/14/2012    |               | 151,293                                                              |   |                                          |    |    |          |    | 151,293                                                               | 151,293        |                                          |                                  |                               |
| 1052042     | HANOVER         | MD       |           | 12/20/2006    |               | 127,247                                                              |   |                                          |    |    |          |    | 127,247                                                               | 127,247        |                                          |                                  |                               |
| 1051810     | LEXINGTON PARK  | MD       |           | 08/31/1999    |               | 30,163                                                               |   |                                          |    |    |          |    | 30,163                                                                | 30,163         |                                          |                                  |                               |
| 1051900     | ROCKVILLE       | MD       |           | 06/19/2003    |               | 219,086                                                              |   |                                          |    |    |          |    | 219,086                                                               | 219,086        |                                          |                                  |                               |
| 1052148     | ROCKVILLE       | MD       |           | 05/03/2012    |               | 98,986                                                               |   |                                          |    |    |          |    | 98,986                                                                | 98,986         |                                          |                                  |                               |
| 1051740     | BANGOR          | ME       |           | 09/21/1997    |               | 57,845                                                               |   |                                          |    |    |          |    | 57,845                                                                | 57,845         |                                          |                                  |                               |
| 1052188     | MINNEAPOLIS     | MN       |           | 05/27/2014    |               | 28,051                                                               |   |                                          |    |    |          |    | 28,051                                                                | 28,051         |                                          |                                  |                               |
| 28245       | O'FALLON        | MO       |           | 10/01/2014    |               | 27,391                                                               |   | (6,403)                                  |    |    | (6,403)  |    | 27,391                                                                | 27,391         |                                          |                                  |                               |

SCHEDULE B - PART 3

Showing All Mortgage Loans DISPOSED, Transferred or Repaid During the Current Quarter

| 1<br>Loan Number | Location       |            | 4<br>Loan<br>Type | 5<br>Date<br>Acquired | 6<br>Disposal<br>Date | 7<br>Book Value/<br>Recorded<br>Investment<br>Excluding<br>Accrued<br>Interest<br>Prior Year | Change in Book Value/Recorded Investment               |                                                        |                                                                                |                                                        | 14<br>Book Value/<br>Recorded<br>Investment<br>Excluding<br>Accrued<br>Interest on<br>Disposal | 15<br>Consid-<br>eration                                   | 16<br>Foreign<br>Exchange<br>Gain<br>(Loss) on<br>Disposal | 17<br>Realized<br>Gain<br>(Loss) on<br>Disposal | 18<br>Total<br>Gain<br>(Loss) on<br>Disposal |
|------------------|----------------|------------|-------------------|-----------------------|-----------------------|----------------------------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------|-------------------------------------------------|----------------------------------------------|
|                  | 2<br>City      | 3<br>State |                   |                       |                       |                                                                                              | 8<br>Unrealized<br>Valuation<br>Increase<br>(Decrease) | 9<br>Current<br>Year's<br>(Amortization)<br>/Accretion | 10<br>Current<br>Year's Other<br>Than<br>Temporary<br>Impairment<br>Recognized | 11<br>Capitalized<br>Deferred<br>Interest and<br>Other | 12<br>Total<br>Change<br>in<br>Book Value<br>(8+9-10+11)                                       | 13<br>Total Foreign<br>Exchange<br>Change in<br>Book Value |                                                            |                                                 |                                              |
| 28110            | DURHAM         | NC         |                   | 04/22/1989            |                       | 36,192                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 36,192                                                     |                                                            |                                                 |                                              |
| 1032094          | DURHAM         | NC         |                   | 05/15/2008            |                       | 179,019                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 179,019                                                    |                                                            |                                                 |                                              |
| 1032095          | DURHAM         | NC         |                   | 05/15/2008            |                       | 11,350                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 11,350                                                     |                                                            |                                                 |                                              |
| 28265            | FLUJAY-VARINA  | NC         |                   | 10/01/2014            |                       | 62,247                                                                                       |                                                        | (6,528)                                                |                                                                                |                                                        | (6,528)                                                                                        | 62,247                                                     |                                                            |                                                 |                                              |
| 28233            | GREENSBORO     | NC         |                   | 10/01/2014            |                       | 31,726                                                                                       |                                                        | (10,327)                                               |                                                                                |                                                        | (10,327)                                                                                       | 31,726                                                     |                                                            |                                                 |                                              |
| 1032104          | GREENSBORO     | NC         |                   | 06/14/2008            |                       | 47,673                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 47,673                                                     |                                                            |                                                 |                                              |
| 1032189          | HALLY SPRINGS  | NC         |                   | 06/24/2014            |                       | 127,990                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 127,990                                                    |                                                            |                                                 |                                              |
| 1032010          | HALEIGH        | NC         |                   | 03/15/2006            |                       | 77,074                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 77,074                                                     |                                                            |                                                 |                                              |
| 1031974          | FARGO          | ND         |                   | 06/25/2005            |                       | 165,108                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 165,108                                                    |                                                            |                                                 |                                              |
| 1031995          | BROOKLAIN      | NJ         |                   | 12/22/2005            |                       | 34,818                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 34,818                                                     |                                                            |                                                 |                                              |
| 1032038          | BROOKLAIN      | NJ         |                   | 12/14/2006            |                       | 24,970                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 24,970                                                     |                                                            |                                                 |                                              |
| 1032121          | CLARK          | NJ         |                   | 01/26/2009            |                       | 72,939                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 72,939                                                     |                                                            |                                                 |                                              |
| 1032106          | ELING          | NJ         |                   | 09/03/2008            |                       | 38,772                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 38,772                                                     |                                                            |                                                 |                                              |
| 1031971          | LAWRENCEVILLE  | NJ         |                   | 06/27/2005            |                       | 170,968                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 170,968                                                    |                                                            |                                                 |                                              |
| 1032120          | MIDDLETOWN     | NJ         |                   | 07/26/2009            |                       | 167,090                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 167,090                                                    |                                                            |                                                 |                                              |
| 1032202          | MONROE         | NJ         |                   | 02/02/2015            |                       | 58,252                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 58,252                                                     |                                                            |                                                 |                                              |
| 1032191          | MOUNT LAUREL   | NJ         |                   | 06/30/2014            |                       | 56,908                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 56,908                                                     |                                                            |                                                 |                                              |
| 1032011          | NEPTUNE        | NJ         |                   | 03/16/2006            |                       | 87,058                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 87,058                                                     |                                                            |                                                 |                                              |
| 1031727          | STRATFORD      | NJ         |                   | 03/25/1987            |                       | 25,419                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 25,419                                                     |                                                            |                                                 |                                              |
| 28296            | ALBUQUERQUE    | NM         |                   | 10/01/2014            |                       | 72,847                                                                                       |                                                        | (12,024)                                               |                                                                                |                                                        | (12,024)                                                                                       | 72,847                                                     |                                                            |                                                 |                                              |
| 1031961          | LAS VEGAS      | NV         |                   | 10/01/2014            |                       | 21,654                                                                                       |                                                        | (12,164)                                               |                                                                                |                                                        | (12,164)                                                                                       | 21,654                                                     |                                                            |                                                 |                                              |
| 1031987          | LAS VEGAS      | NV         |                   | 03/07/2005            |                       | 94,148                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 94,148                                                     |                                                            |                                                 |                                              |
| 1031987          | LAS VEGAS      | NV         |                   | 10/31/2005            |                       | 186,557                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 186,557                                                    |                                                            |                                                 |                                              |
| 1032105          | CENTEREACH     | NV         |                   | 08/28/2008            |                       | 241,834                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 241,834                                                    |                                                            |                                                 |                                              |
| 1031986          | GARDEN CITY    | NV         |                   | 07/22/2002            |                       | 475,603                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 475,603                                                    |                                                            |                                                 |                                              |
| 1032029          | GUILDFORD      | NV         |                   | 09/06/2006            |                       | 19,110                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 19,110                                                     |                                                            |                                                 |                                              |
| 1031972          | HALPARGE       | NV         |                   | 07/08/2005            |                       | 117,766                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 117,766                                                    |                                                            |                                                 |                                              |
| 1031973          | JERICHO        | NV         |                   | 07/08/2005            |                       | 150,864                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 150,864                                                    |                                                            |                                                 |                                              |
| 1031944          | LAKE GROVE     | NV         |                   | 11/30/2004            |                       | 94,858                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 94,858                                                     |                                                            |                                                 |                                              |
| 1032073          | MEVANDS        | NV         |                   | 08/30/2007            |                       | 60,946                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 60,946                                                     |                                                            |                                                 |                                              |
| 1031766          | NESCONSET      | NV         |                   | 07/28/1998            |                       | 30,961                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 30,961                                                     |                                                            |                                                 |                                              |
| 28329            | NEW YORK       | NV         |                   | 10/01/2014            |                       | 18,647                                                                                       |                                                        | (39,450)                                               |                                                                                |                                                        | (39,450)                                                                                       | 18,647                                                     |                                                            |                                                 |                                              |
| 1031799          | NEW YORK       | NV         |                   | 04/29/1989            |                       | 73,347                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 73,347                                                     |                                                            |                                                 |                                              |
| 1032114          | NEW YORK       | NV         |                   | 11/19/2008            |                       | 49,772                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 49,772                                                     |                                                            |                                                 |                                              |
| 1032185          | NEW YORK       | NV         |                   | 03/20/2014            |                       | 56,360                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 56,360                                                     |                                                            |                                                 |                                              |
| 28329            | CLEAN          | NV         |                   | 10/01/2014            |                       | 99,908                                                                                       |                                                        | (8,332)                                                |                                                                                |                                                        | (8,332)                                                                                        | 99,908                                                     |                                                            |                                                 |                                              |
| 1031794          | CLEAN          | NV         |                   | 03/30/1999            |                       | 40,566                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 40,566                                                     |                                                            |                                                 |                                              |
| 1032248          | STATEN ISLAND  | NV         |                   | 06/06/2016            |                       | 31,898                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 31,898                                                     |                                                            |                                                 |                                              |
| 28179            | WEBSTER        | NV         |                   | 10/01/2014            |                       | 33,702                                                                                       |                                                        | (5,102)                                                |                                                                                |                                                        | (5,102)                                                                                        | 33,702                                                     |                                                            |                                                 |                                              |
| 1031746          | BELLEFONTAINE  | OH         |                   | 11/24/1987            |                       | 29,179                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 29,179                                                     |                                                            |                                                 |                                              |
| 27610            | FOREST PARK    | OH         |                   | 10/12/1989            |                       | 20,345                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 20,345                                                     |                                                            |                                                 |                                              |
| 1032220          | Portland       | OR         |                   | 10/13/2015            |                       | 77,691                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 77,691                                                     |                                                            |                                                 |                                              |
| 28313            | BENSALEM       | PA         |                   | 10/01/2014            |                       | 11,742                                                                                       |                                                        | (8,328)                                                |                                                                                |                                                        | (8,328)                                                                                        | 11,742                                                     |                                                            |                                                 |                                              |
| 1032161          | DOYLESTOWN     | PA         |                   | 12/21/2012            |                       | 155,479                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 155,479                                                    |                                                            |                                                 |                                              |
| 1032022          | HANOVER        | PA         |                   | 07/06/2006            |                       | 234,716                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 234,716                                                    |                                                            |                                                 |                                              |
| 1032133          | LITITZ         | PA         |                   | 01/10/2011            |                       | 120,637                                                                                      |                                                        | (9,939)                                                |                                                                                |                                                        | (9,939)                                                                                        | 120,637                                                    |                                                            |                                                 |                                              |
| 1032066          | PHILADELPHIA   | PA         |                   | 01/10/2008            |                       | 67,154                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 67,154                                                     |                                                            |                                                 |                                              |
| 1032193          | SPRINGFIELD    | PA         |                   | 10/02/2014            |                       | 244,857                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 244,857                                                    |                                                            |                                                 |                                              |
| 1032004          | WEST CHESTER   | PA         |                   | 02/26/2006            |                       | 124,052                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 124,052                                                    |                                                            |                                                 |                                              |
| 28292            | ANDERSON       | SC         |                   | 10/01/2014            |                       | 49,891                                                                                       |                                                        | (16,709)                                               |                                                                                |                                                        | (16,709)                                                                                       | 49,891                                                     |                                                            |                                                 |                                              |
| 28209            | MEMPHIS        | TN         |                   | 06/20/2001            |                       | 33,686                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 33,686                                                     |                                                            |                                                 |                                              |
| 1032201          | CEDAR PARK     | TX         |                   | 12/30/2014            |                       | 150,629                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 150,629                                                    |                                                            |                                                 |                                              |
| 1031783          | FORT WORTH     | TX         |                   | 12/22/1988            |                       | 36,625                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 36,625                                                     |                                                            |                                                 |                                              |
| 1032037          | HOUSTON        | TX         |                   | 12/01/2006            |                       | 167,559                                                                                      |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 167,559                                                    |                                                            |                                                 |                                              |
| 1032143          | HOUSTON        | TX         |                   | 11/15/2011            |                       | 56,884                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 56,884                                                     |                                                            |                                                 |                                              |
| 28078            | RICHARDSON     | TX         |                   | 12/26/1998            |                       | 29,723                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 29,723                                                     |                                                            |                                                 |                                              |
| 28320            | SAN ANTONIO    | TX         |                   | 10/01/2014            |                       | 12,200                                                                                       |                                                        | (19,633)                                               |                                                                                |                                                        | (19,633)                                                                                       | 12,200                                                     |                                                            |                                                 |                                              |
| 28322            | WOODLANDS      | TX         |                   | 10/01/2014            |                       | 27,051                                                                                       |                                                        | (35,710)                                               |                                                                                |                                                        | (35,710)                                                                                       | 27,051                                                     |                                                            |                                                 |                                              |
| 1032108          | ROY            | UT         |                   | 10/01/2008            |                       | 47,575                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 47,575                                                     |                                                            |                                                 |                                              |
| 1032183          | SALT LAKE CITY | UT         |                   | 03/06/2014            |                       | 41,725                                                                                       |                                                        |                                                        |                                                                                |                                                        |                                                                                                | 41,725                                                     |                                                            |                                                 |                                              |

SCHEDULE B - PART 3

Showing All Mortgage Loans DISPOSED, Transferred or Repaid During the Current Quarter

| 1                                          |  | Location     |    | 4         | 5             | 6             | 7                                                                                 | Change in Book Value/Recorded Investment |          |    |    |          | 14 | 15                                                                                 | 16                 | 17                                                   | 18                                        |                                        |
|--------------------------------------------|--|--------------|----|-----------|---------------|---------------|-----------------------------------------------------------------------------------|------------------------------------------|----------|----|----|----------|----|------------------------------------------------------------------------------------|--------------------|------------------------------------------------------|-------------------------------------------|----------------------------------------|
| Loan Number                                |  | 2            | 3  | Loan Type | Date Acquired | Disposal Date | Book Value/<br>Recorded Investment<br>Excluding<br>Accrued Interest<br>Prior Year | 8                                        | 9        | 10 | 11 | 12       | 13 | Book Value/<br>Recorded Investment<br>Excluding<br>Accrued Interest on<br>Disposal | Consid-<br>eration | Foreign<br>Exchange<br>Gain<br>(Loss) on<br>Disposal | Realized<br>Gain<br>(Loss) on<br>Disposal | Total<br>Gain<br>(Loss) on<br>Disposal |
| 28016                                      |  | WEST VALLEY  | UT |           | 12/11/1997    |               | 15,818                                                                            |                                          |          |    |    |          |    | 15,818                                                                             |                    |                                                      |                                           |                                        |
| 1052152                                    |  | ALEXANDRIA   | VA |           | 06/26/2012    |               | 92,152                                                                            |                                          |          |    |    |          |    | 92,152                                                                             |                    |                                                      |                                           |                                        |
| 1052144                                    |  | ARLINGTON    | VA |           | 12/28/2011    |               | 199,545                                                                           |                                          |          |    |    |          |    | 199,545                                                                            |                    |                                                      |                                           |                                        |
| 1052061                                    |  | CHESTER      | VA |           | 05/30/2007    |               | 23,620                                                                            |                                          |          |    |    |          |    | 23,620                                                                             |                    |                                                      |                                           |                                        |
| 28199                                      |  | DULLES       | VA |           | 05/11/2001    |               | 84,504                                                                            |                                          |          |    |    |          |    | 84,504                                                                             |                    |                                                      |                                           |                                        |
| 1051806                                    |  | GLEN ALLEN   | VA |           | 06/25/1999    |               | 101,334                                                                           |                                          |          |    |    |          |    | 101,334                                                                            |                    |                                                      |                                           |                                        |
| 1051881                                    |  | MCLEAN       | VA |           | 03/21/2002    |               | 132,141                                                                           |                                          |          |    |    |          |    | 132,141                                                                            |                    |                                                      |                                           |                                        |
| 28255                                      |  | NEWPORT NEWS | VA |           | 10/01/2014    |               | 28,064                                                                            |                                          | (3,412)  |    |    | (3,412)  |    | 28,064                                                                             |                    |                                                      |                                           |                                        |
| 28321                                      |  | NORFOLK      | VA |           | 10/01/2014    |               | 20,973                                                                            |                                          | (34,584) |    |    | (34,584) |    | 20,973                                                                             |                    |                                                      |                                           |                                        |
| 1052087                                    |  | RESTON       | VA |           | 12/21/2007    |               | 109,277                                                                           |                                          |          |    |    |          |    | 109,277                                                                            |                    |                                                      |                                           |                                        |
| 28301                                      |  | RICHMOND     | VA |           | 10/01/2014    |               | 67,826                                                                            |                                          | (11,515) |    |    | (11,515) |    | 67,826                                                                             |                    |                                                      |                                           |                                        |
| 1052092                                    |  | RICHMOND     | VA |           | 04/07/2008    |               | 32,008                                                                            |                                          |          |    |    |          |    | 32,008                                                                             |                    |                                                      |                                           |                                        |
| 28302                                      |  | ROANOKE      | VA |           | 10/01/2014    |               | 30,370                                                                            |                                          |          |    |    |          |    | 30,370                                                                             |                    |                                                      |                                           |                                        |
| 1052097                                    |  | ROSLYN       | VA |           | 05/30/2008    |               |                                                                                   |                                          | (5,466)  |    |    | (5,466)  |    |                                                                                    |                    |                                                      |                                           |                                        |
| 28326                                      |  | RUTHER GLEN  | VA |           | 10/01/2014    |               | 41,846                                                                            |                                          | 132,769  |    |    | 132,769  |    | 41,846                                                                             |                    |                                                      |                                           |                                        |
| 1051968                                    |  | STERLING     | VA |           | 05/27/2005    |               | 184,569                                                                           |                                          | (18,556) |    |    | (18,556) |    | 184,569                                                                            |                    |                                                      |                                           |                                        |
| 1052096                                    |  | STERLING     | VA |           | 05/29/2008    |               | 150,232                                                                           |                                          |          |    |    |          |    | 150,232                                                                            |                    |                                                      |                                           |                                        |
| 28231                                      |  | SUFFOLK      | VA |           | 10/01/2014    |               | 30,852                                                                            |                                          | (16,527) |    |    | (16,527) |    | 30,852                                                                             |                    |                                                      |                                           |                                        |
| 28289                                      |  | WASHINGTON   | VA |           | 10/01/2014    |               | 45,169                                                                            |                                          | (8,673)  |    |    | (8,673)  |    | 45,169                                                                             |                    |                                                      |                                           |                                        |
| 1052234                                    |  | BELLEUE      | WA |           | 12/22/2015    |               | 86,086                                                                            |                                          |          |    |    |          |    | 86,086                                                                             |                    |                                                      |                                           |                                        |
| 1052051                                    |  | PORT ORCHARD | WA |           | 03/12/2007    |               | 47,605                                                                            |                                          |          |    |    |          |    | 47,605                                                                             |                    |                                                      |                                           |                                        |
| 1051814                                    |  | SEATTLE      | WA |           | 10/12/1999    |               | 117,902                                                                           |                                          |          |    |    |          |    | 117,902                                                                            |                    |                                                      |                                           |                                        |
| 1051738                                    |  | TACOMA       | WA |           | 08/11/1997    |               | 57,889                                                                            |                                          |          |    |    |          |    | 57,889                                                                             |                    |                                                      |                                           |                                        |
| 1052238                                    |  | WADSWORTH    | WI |           | 04/11/2016    |               | 482,159                                                                           |                                          |          |    |    |          |    | 482,159                                                                            |                    |                                                      |                                           |                                        |
| 0299999. Mortgages with partial repayments |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
| 0399999. Mortgages disposed                |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
| 0499999. Mortgages transferred             |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
| 0599999 - Totals                           |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
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|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
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|                                            |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |
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| </                                         |  |              |    |           |               |               |                                                                                   |                                          |          |    |    |          |    |                                                                                    |                    |                                                      |                                           |                                        |

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets Acquired and Additions Made During the Current Quarter

| 1                                                              | CUSIP Identification                                   | 2 | 3          |      | 5     | 6 | 7                        | 8                 | 9                                  | 10                                           | 11                     | 12                                   | 13                      |
|----------------------------------------------------------------|--------------------------------------------------------|---|------------|------|-------|---|--------------------------|-------------------|------------------------------------|----------------------------------------------|------------------------|--------------------------------------|-------------------------|
|                                                                |                                                        |   | Location   | City | State | 4 | Date Originally Acquired | Type and Strategy | Actual Cost at Time of Acquisition | Additional Investment Made After Acquisition | Amount of Encumbrances | Commitment for Additional Investment | Percentage of Ownership |
| 000000-00-0                                                    | HANOVER ACQUISITIONS III, LLC(Fountains)               |   | WILMINGTON |      | DE    |   | 02/25/2010               |                   |                                    | 107,074                                      |                        |                                      | 100.000                 |
| 000000-00-0                                                    | HANOVER ACQUISITIONS III, LLC (VAHALLA)                |   | WILMINGTON |      | DE    |   | 12/01/2012               |                   |                                    | 8,000                                        |                        |                                      | 100.000                 |
| 000000-00-0                                                    | HANOVER OFFERMAN ESTATES, LLC                          |   | WILMINGTON |      | DE    |   | 01/28/2015               |                   |                                    | 49,762                                       |                        |                                      | 100.000                 |
| 10999999, Fixed or Variable Rate - Mortgage Loans - Affiliated |                                                        |   |            |      |       |   |                          |                   |                                    |                                              |                        |                                      |                         |
| 000000-00-0                                                    | GH SCOTTSDALE I, LLC                                   |   | SCOTTSDALE |      | AZ    |   | 09/01/1997               |                   |                                    | 164,838                                      |                        |                                      | XXX                     |
| 000000-00-0                                                    | GUARDIAN ABBEY, LLC                                    |   | VALHALLA   |      | NY    |   | 11/20/2007               |                   |                                    | 81,015                                       |                        |                                      | 50.000                  |
| 18999999, Joint Venture Interests - Real Estate - Affiliated   |                                                        |   |            |      |       |   |                          |                   |                                    |                                              |                        |                                      |                         |
| 000000-00-0                                                    | 57 Stars Global Opportunity Fund 3 (Guardian) Series 2 |   | Wilmington |      | DE    |   | 01/28/2016               |                   |                                    | 619,871                                      |                        |                                      | XXX                     |
| 000000-00-0                                                    | 57 Stars Global Opportunity Fund 3 (Guardian), L.P.    |   | Wilmington |      | DE    |   | 06/30/2011               |                   |                                    | 1,006,985                                    |                        | 22,880,158                           | 76.300                  |
| 000000-00-0                                                    | Adventech Capital, L.P.                                |   | Wilmington |      | CVL   |   | 01/28/2016               |                   |                                    | 3,866,308                                    |                        | 28,280,516                           | 85.490                  |
| 000000-00-0                                                    | Battery Ventures XI Side Fund-A, L.P.                  |   | Wilmington |      | DE    |   | 06/21/2016               |                   |                                    | 747,274                                      |                        | 7,246,002                            | 1.640                   |
| 000000-00-0                                                    | Battery Ventures XI-A, L.P.                            |   | Wilmington |      | DE    |   | 06/21/2016               |                   |                                    | 367,200                                      |                        | 4,482,800                            | 1.540                   |
| 000000-00-0                                                    | BC Partners IX, LP                                     |   | Wilmington |      | GGV   |   | 09/21/2011               |                   |                                    | 292,000                                      |                        | 7,068,000                            | 1.330                   |
| 000000-00-0                                                    | Brynwood Partners VI, LP                               |   | Wilmington |      | DE    |   | 10/13/2009               |                   |                                    | 858,720                                      |                        | 3,196,568                            | 0.230                   |
| 000000-00-0                                                    | Brynwood Partners VII, L.P.                            |   | Wilmington |      | DE    |   | 12/27/2013               |                   |                                    | 215,934                                      |                        | 5,940,620                            | 6.500                   |
| 000000-00-0                                                    | CapStreet IV, LP                                       |   | Wilmington |      | DE    |   | 11/24/2008               |                   |                                    | 115,609                                      |                        | 11,676,753                           | 5.380                   |
| 000000-00-0                                                    | CCIP Capital Investors II                              |   | Wilmington |      | DE    |   | 01/22/2015               |                   |                                    | 533,101                                      |                        | 4,235,104                            | 8.430                   |
| 000000-00-0                                                    | CCIP Capital Investors III, L.P.                       |   | Wilmington |      | DE    |   | 01/22/2007               |                   |                                    | 104,051                                      |                        | 17,652,983                           | 6.150                   |
| 000000-00-0                                                    | Century Park Capital Partners II, LP                   |   | Wilmington |      | DE    |   | 07/26/2013               |                   |                                    | 18,202                                       |                        | 1,379,531                            | 0.590                   |
| 000000-00-0                                                    | Columbia Capital Equity Partners VI (CP), L.P.         |   | Wilmington |      | DE    |   | 05/09/2011               |                   |                                    | 1,163,176                                    |                        | 8,954,957                            | 0.560                   |
| 000000-00-0                                                    | CS Global Co-Investment Partners, L.P.                 |   | Wilmington |      | DE    |   | 04/02/2009               |                   |                                    | 181,046                                      |                        | 3,545,616                            | 0.470                   |
| 000000-00-0                                                    | EQT VI Fund, LP                                        |   | Wilmington |      | GGV   |   | 01/22/2015               |                   |                                    | 153,929                                      |                        | 771,519                              | 3.160                   |
| 000000-00-0                                                    | Felicit's Ventures V, L.P.                             |   | Wilmington |      | DE    |   | 06/16/2016               |                   |                                    | 1,030,547                                    |                        | 14,915,300                           | 4.640                   |
| 000000-00-0                                                    | Foundation Capital VIII, L.P.                          |   | Wilmington |      | DE    |   | 11/30/2011               |                   |                                    | 2,324,819                                    |                        | 7,236,590                            | 99.500                  |
| 000000-00-0                                                    | Foundry Next Fund, L.P.                                |   | Wilmington |      | DE    |   | 07/06/2016               |                   | 3,225,000                          | 11,812,500                                   |                        | 11,812,500                           | 6.730                   |
| 000000-00-0                                                    | Foundry Venture Capital, 2010 Amex, L.P.               |   | Wilmington |      | DE    |   | 08/25/2015               |                   |                                    | 14,514,231                                   |                        | 16,775,000                           | 5.380                   |
| 000000-00-0                                                    | Foundry Ventures 2018, LP                              |   | Wilmington |      | DE    |   | 01/10/2013               |                   |                                    | 601,875                                      |                        | 1,704,375                            | 4.000                   |
| 000000-00-0                                                    | Genstar Capital Partners VII, L.P.                     |   | Wilmington |      | DE    |   | 10/01/2015               |                   |                                    | 1,040,625                                    |                        | 1,884,375                            | 15.000                  |
| 000000-00-0                                                    | Global Infrastructure Partners                         |   | Wilmington |      | DE    |   | 07/11/2017               |                   |                                    | 1,450,960                                    |                        | 15,971,959                           | 9.700                   |
| 000000-00-0                                                    | Global Infrastructure Partners II - A, L.P.            |   | Wilmington |      | DE    |   | 08/09/2012               |                   |                                    | 40,055                                       |                        | 2,951,432                            | 0.370                   |
| 000000-00-0                                                    | Global Infrastructure Partners III, L.P.               |   | Wilmington |      | DE    |   | 08/02/2016               |                   | 9,508,450                          | 1,468,509                                    |                        | 4,125,546                            | 0.240                   |
| 000000-00-0                                                    | Goldman Sachs Capital Partners VI, LP                  |   | Wilmington |      | DE    |   | 04/26/2007               |                   |                                    | 44,437                                       |                        | 41,086,689                           | 0.380                   |
| 000000-00-0                                                    | Goldman Sachs Vintage Fund IV                          |   | Wilmington |      | DE    |   | 01/23/2007               |                   |                                    | 19,666                                       |                        | 3,252,854                            | 0.100                   |
| 000000-00-0                                                    | Green Equity Investors VI, LP                          |   | Wilmington |      | DE    |   | 12/06/2012               |                   |                                    | 5,001,822                                    |                        | 1,547,600                            | 0.500                   |
| 000000-00-0                                                    | Grotech Ventures II, L.P.                              |   | Wilmington |      | DE    |   | 12/28/2011               |                   |                                    | 426,697                                      |                        | 2,963,717                            | 6.670                   |
| 000000-00-0                                                    | GS Mezzanine Partners 2006, LP                         |   | Wilmington |      | DE    |   | 04/12/2006               |                   |                                    | 9,184                                        |                        | 1,631,146                            | 0.180                   |
| 000000-00-0                                                    | GSO Capital Opportunities Fund III, L.P.               |   | Wilmington |      | DE    |   | 09/22/2016               |                   | 821,423                            |                                              |                        | 49,178,577                           | 0.770                   |
| 000000-00-0                                                    | GTCR Fund XI, LP                                       |   | Wilmington |      | DE    |   | 09/02/2014               |                   |                                    | 650,000                                      |                        | 11,050,000                           | 0.530                   |
| 000000-00-0                                                    | Harbourvest Guardian Co-Investment Fund L.P.           |   | Wilmington |      | DE    |   | 04/28/2016               |                   |                                    | 1,800,000                                    |                        | 115,200,000                          | 100.000                 |
| 000000-00-0                                                    | Harvest Fund VII, L.P.                                 |   | Wilmington |      | DE    |   | 09/28/2016               |                   | 446,767                            |                                              |                        | 16,553,233                           | 0.850                   |
| 000000-00-0                                                    | High Street Real Estate Fund V                         |   | Wilmington |      | DE    |   | 01/18/2016               |                   |                                    | 519,283                                      |                        | 10,237,435                           | 4.290                   |
| 000000-00-0                                                    | Levine Leichman Capital Partners V, LP                 |   | Wilmington |      | DE    |   | 04/11/2013               |                   |                                    | 157,222                                      |                        | 5,614,662                            | 1.370                   |
| 000000-00-0                                                    | Longworth Advisory Partners III, LP                    |   | Wilmington |      | DE    |   | 06/08/2009               |                   |                                    | 10,000                                       |                        | 30,400                               | 0.160                   |
| 000000-00-0                                                    | Longworth Venture Partners III, LP                     |   | Wilmington |      | DE    |   | 12/10/2008               |                   |                                    | 1,064,000                                    |                        | 2,540,300                            | 10.640                  |
| 000000-00-0                                                    | Love I Mimick Equity Partners IV, L.P.                 |   | Wilmington |      | DE    |   | 03/27/2015               |                   |                                    | 144,610                                      |                        | 15,291,731                           | 2.670                   |
| 000000-00-0                                                    | MSouth Equity Partners II, L.P.                        |   | Wilmington |      | DE    |   | 02/29/2012               |                   |                                    | 609,071                                      |                        | 1,881,069                            | 4.710                   |
| 000000-00-0                                                    | Nautic Partners VI, L.P.                               |   | Wilmington |      | DE    |   | 05/24/2007               |                   |                                    | 215,210                                      |                        | 774,189                              | 2.500                   |
| 000000-00-0                                                    | NB Co-Investment Partners                              |   | Wilmington |      | DE    |   | 09/26/2006               |                   |                                    | 25,423                                       |                        | 2,253,628                            | 1.620                   |
| 000000-00-0                                                    | New Leaf Ventures III, L.P.                            |   | Wilmington |      | DE    |   | 12/15/2015               |                   |                                    | 1,662,500                                    |                        | 10,036,613                           | 8.940                   |
| 000000-00-0                                                    | Pringsten Capital Partners IV, LP                      |   | Wilmington |      | DE    |   | 03/31/2009               |                   |                                    | 218,183                                      |                        | 3,995,186                            | 3.810                   |
| 000000-00-0                                                    | Phoenix 2010 Fund, LP                                  |   | Wilmington |      | DE    |   | 06/02/2010               |                   |                                    | 104,666                                      |                        |                                      | 3.330                   |
| 000000-00-0                                                    | Point 406 Ventures II, LP                              |   | Wilmington |      | DE    |   | 07/12/2012               |                   |                                    | 360,000                                      |                        | 3,870,000                            | 8.570                   |
| 000000-00-0                                                    | Primus Capital Fund VII, L.P.                          |   | Wilmington |      | DE    |   | 12/21/2012               |                   |                                    | 1,309,228                                    |                        | 5,222,535                            | 3.620                   |
| 000000-00-0                                                    | R33 Longview Equity Fund, LP                           |   | Wilmington |      | DE    |   | 07/18/2007               |                   |                                    | 78,433                                       |                        |                                      | 3.250                   |
| 000000-00-0                                                    | Redview Capital L.P.                                   |   | Wilmington |      | CVL   |   | 01/28/2016               |                   |                                    | 659,973                                      |                        | 7,870,331                            | 1.640                   |
| 000000-00-0                                                    | The Buchanan Fund V, LLC                               |   | Wilmington |      | DE    |   | 11/03/2006               |                   |                                    | 1,190                                        |                        |                                      | 3.680                   |
| 000000-00-0                                                    | The Huron Fund IV, L.P.                                |   | Wilmington |      | DE    |   | 07/12/2013               |                   |                                    | 1,100,000                                    |                        | 7,514,483                            | 4.140                   |
| 000000-00-0                                                    | Thompson Street Capital IV, L.P.                       |   | Wilmington |      | DE    |   | 01/25/2016               |                   |                                    | 1,741,754                                    |                        | 16,190,614                           | 3.330                   |
| 000000-00-0                                                    | Trident V, L.P.                                        |   | Wilmington |      | CVL   |   | 12/28/2010               |                   |                                    | 125,845                                      |                        | 651,026                              | 0.210                   |
| 000000-00-0                                                    | Trident VI, LP                                         |   | Wilmington |      | CVL   |   | 09/12/2014               |                   |                                    | 812,277                                      |                        | 6,046,670                            | 0.300                   |
| 000000-00-0                                                    | Trinity Ventures XII L.P.                              |   | Wilmington |      | DE    |   | 04/07/2016               |                   |                                    | 202,500                                      |                        | 12,217,500                           | 3.380                   |

SCHEDULE BA - PART 2

Showing Other Long-Term Invested Assets ACQUIRED AND ADDITIONS MADE During the Current Quarter

| 1                                                        | 2                           | 3          |       | 4                                 | 5                | 6                        | 7                 | 8                                  | 9                                            | 10                     | 11                                   | 12                      | 13  |
|----------------------------------------------------------|-----------------------------|------------|-------|-----------------------------------|------------------|--------------------------|-------------------|------------------------------------|----------------------------------------------|------------------------|--------------------------------------|-------------------------|-----|
|                                                          |                             | Location   |       |                                   |                  |                          |                   |                                    |                                              |                        |                                      |                         |     |
| CUSIP Identification                                     | Name or Description         | City       | State | Name of Vendor or General Partner | NAIC Designation | Date Originally Acquired | Type and Strategy | Actual Cost at Time of Acquisition | Additional Investment Made After Acquisition | Amount of Encumbrances | Commitment for Additional Investment | Percentage of Ownership |     |
| 000000-00-0                                              | Trinvest V LP               | Wilmington | DE    | Trinvest Partners                 |                  | 06/24/2013               |                   |                                    | 371,832                                      |                        | 8,442,086                            | 3.750                   |     |
| 000000-00-0                                              | TS66, LP                    | Wilmington | DE    | TS6 Consumer Products             |                  | 07/02/2012               |                   |                                    | 124,207                                      |                        | 4,034,962                            | 0.940                   |     |
| 000000-00-0                                              | TS67 A L.P.                 | Wilmington | DE    | TS6 Consumer Products             |                  | 03/30/2016               |                   |                                    | 2,777,515                                    |                        | 16,117,435                           | 0.950                   |     |
| 000000-00-0                                              | TS67 B L.P.                 | Wilmington | DE    | TS6 Consumer Products             |                  | 01/19/2016               |                   |                                    | 27,970                                       |                        | 3,713,228                            | 0.800                   |     |
| 000000-00-0                                              | Warburg Pincus Energy, L.P. | Wilmington | DE    | Warburg, Pincus LLC               |                  | 07/25/2014               |                   |                                    | 450,000                                      |                        | 21,840,000                           | 1.000                   |     |
| 000000-00-0                                              | Warburg Pincus XI, LP       | Wilmington | DE    | Warburg, Pincus LLC               |                  | 09/20/2012               |                   |                                    | 125,000                                      |                        | 3,125,000                            | 0.220                   |     |
| 000000-00-0                                              | Warburg Pincus XII, L.P.    | Wilmington | DE    | Warburg, Pincus LLC               |                  | 12/21/2015               |                   |                                    | 996,000                                      |                        | 21,324,000                           | 0.200                   |     |
| 21999999. Joint Venture Interests - Other - Unaffiliated |                             |            |       |                                   |                  |                          |                   |                                    |                                              |                        |                                      |                         |     |
| 44999999. Total - Unaffiliated                           |                             |            |       |                                   |                  |                          |                   |                                    |                                              |                        |                                      |                         |     |
| 45999999. Total - Affiliated                             |                             |            |       |                                   |                  |                          |                   |                                    |                                              |                        |                                      |                         |     |
| 46999999 - Totals                                        |                             |            |       |                                   |                  |                          |                   |                                    |                                              |                        |                                      |                         |     |
|                                                          |                             |            |       |                                   |                  |                          |                   |                                    | 14,001,640                                   | 42,399,022             |                                      | 656,669,930             | XXX |
|                                                          |                             |            |       |                                   |                  |                          |                   |                                    | 14,001,640                                   | 42,399,022             |                                      | 656,669,930             | XXX |
|                                                          |                             |            |       |                                   |                  |                          |                   |                                    |                                              | 784,707                |                                      |                         | XXX |
|                                                          |                             |            |       |                                   |                  |                          |                   |                                    | 14,001,640                                   | 43,183,729             |                                      | 656,669,930             | XXX |

SCHEDULE BA - PART 3

Showing Other Long-Term Invested Assets DISPOSED, Transferred or Repaid During the Current Quarter

| 1                                                              | 2                                                   | 3          |       | 4 | 5                                       | 6                        | 7             | 8                                                          | Change in Book/Adjusted Carrying Value   |                                                            |                                                     |                                         |                                                           |                                                        | 15                                                         | 16            | 17                                       | 18                               | 19                            | 20                |
|----------------------------------------------------------------|-----------------------------------------------------|------------|-------|---|-----------------------------------------|--------------------------|---------------|------------------------------------------------------------|------------------------------------------|------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------|-----------------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------|---------------|------------------------------------------|----------------------------------|-------------------------------|-------------------|
|                                                                |                                                     | Location   |       |   |                                         |                          |               |                                                            | 9                                        | 10                                                         | 11                                                  | 12                                      | 13                                                        | 14                                                     |                                                            |               |                                          |                                  |                               |                   |
| CUSIP Identification                                           | Name or Description                                 | City       | State |   | Name of Purchaser or Nature of Disposal | Date Originally Acquired | Disposal Date | Book/Adjusted Carrying Value Less Encumbrances, Prior Year | Unrealized Valuation Increase (Decrease) | Current Year's (Depreciation) or (Amortization)/ Accretion | Current Year's Than Temporary Impairment Recognized | Capitalized Deferred Interest and Other | Total Change in Book/Adjusted Carrying Value (9+10-11+12) | Total Foreign Exchange in Book/Adjusted Carrying Value | Book/Adjusted Carrying Value Less Encumbrances on Disposal | Consideration | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Investment Income |
| 000000-00-0                                                    | HANOVER SQUARE, LLC                                 | WILMINGTON | DE    |   | CAPITAL DISTRIBUTION                    | 12/28/2015               | 09/30/2016    | 75,413                                                     |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 75,413                                                     | 75,413        |                                          |                                  |                               |                   |
| 10999999. Fixed or Variable Rate - Mortgage Loans - Affiliated |                                                     |            |       |   |                                         |                          |               |                                                            |                                          |                                                            |                                                     |                                         |                                                           |                                                        |                                                            |               |                                          |                                  |                               |                   |
| 000000-00-0                                                    | KIRKSIDE PARK, LP                                   | PITTSBURGH | PA    |   | CAPITAL DISTRIBUTION                    | 07/01/2000               | 09/22/2016    | 100,000                                                    |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 100,000                                                    | 100,000       |                                          |                                  |                               |                   |
| 17999999. Joint Venture Interests - Real Estate - Unaffiliated |                                                     |            |       |   |                                         |                          |               |                                                            |                                          |                                                            |                                                     |                                         |                                                           |                                                        |                                                            |               |                                          |                                  |                               |                   |
| 000000-00-0                                                    | GUARDIAN WESTWOOD HOLDINGS, LLC                     | GILROY     | CA    |   | CAPITAL DISTRIBUTION                    | 12/20/2013               | 09/28/2016    | 100,000                                                    |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 100,000                                                    | 100,000       |                                          |                                  |                               |                   |
| 000000-00-0                                                    | 360 SOUTH ACADIA, LLC                               | FULLERTON  | CA    |   | CAPITAL DISTRIBUTION                    | 09/01/1988               | 07/15/2016    | 151,233                                                    |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 151,233                                                    | 128,723       |                                          |                                  |                               |                   |
| 000000-00-0                                                    | SPACE CENTER APARTMENTS, LLC                        | ITASCA     | IL    |   | CAPITAL DISTRIBUTION                    | 08/01/2006               | 07/05/2016    | 550,800                                                    |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 550,800                                                    | 341,100       |                                          |                                  | (209,700)                     |                   |
| 000000-00-0                                                    | GUARDIAN SHORES, LLC                                | PORTLAND   | OR    |   | CAPITAL DISTRIBUTION                    | 12/21/2011               | 09/30/2016    | 16,963,934                                                 |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 16,963,934                                                 | 16,963,934    |                                          |                                  |                               |                   |
| 000000-00-0                                                    | Various                                             |            |       |   | Prior Period                            | 09/30/2016               | 09/30/2016    |                                                            |                                          |                                                            |                                                     |                                         |                                                           |                                                        |                                                            | 50,000        |                                          | 50,000                           |                               |                   |
| 18999999. Joint Venture Interests - Real Estate - Affiliated   |                                                     |            |       |   |                                         |                          |               |                                                            |                                          |                                                            |                                                     |                                         |                                                           |                                                        |                                                            |               |                                          |                                  |                               |                   |
| 000000-00-0                                                    | 57 Stars Global Opportunity Fund 3 (Guardian), L.P. | Wilmington | DE    |   | CAPITAL DISTRIBUTION                    | 06/30/2011               | 09/29/2016    | 17,794,690                                                 |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 17,794,690                                                 | 17,634,980    |                                          | (159,700)                        | (159,700)                     |                   |
| 000000-00-0                                                    | BC Partners IX, LP                                  |            | GGY   |   | CAPITAL DISTRIBUTION                    | 09/21/2011               | 09/09/2016    | 3,277,273                                                  |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 3,277,273                                                  | 3,277,273     |                                          |                                  |                               |                   |
| 000000-00-0                                                    | Brynmud Partners VI, LP                             | Wilmington | DE    |   | CAPITAL DISTRIBUTION                    | 10/13/2009               | 07/08/2016    | 699,408                                                    |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 699,408                                                    | 699,408       |                                          |                                  |                               |                   |
| 000000-00-0                                                    | CCMP Capital Investors II                           | Wilmington | DE    |   | CAPITAL DISTRIBUTION                    | 01/22/2007               | 09/19/2016    | 688,404                                                    |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 688,404                                                    | 688,404       |                                          |                                  |                               |                   |
| 000000-00-0                                                    | Centerbridge Partners II, LP                        | Wilmington | DE    |   | CAPITAL DISTRIBUTION                    | 05/09/2011               | 07/26/2016    | 663,317                                                    |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 663,317                                                    | 663,317       |                                          |                                  |                               |                   |
| 000000-00-0                                                    | Century Park Capital Partners II, LP                | Wilmington | DE    |   | CAPITAL DISTRIBUTION                    | 04/02/2009               | 08/10/2016    | 1,335,905                                                  |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 1,335,905                                                  | 1,335,905     |                                          |                                  |                               |                   |
| 000000-00-0                                                    | Charles River Partnership XV, LP                    | Wilmington | DE    |   | CAPITAL DISTRIBUTION                    | 05/29/2012               | 08/04/2016    | 111,078                                                    |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 111,078                                                    | 111,078       |                                          |                                  |                               |                   |
| 000000-00-0                                                    | Edco VI Fund, LP                                    |            | GGY   |   | CAPITAL DISTRIBUTION                    | 11/30/2011               | 09/04/2016    | 159,306                                                    |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 159,306                                                    | 159,306       |                                          |                                  |                               |                   |
| 000000-00-0                                                    | Evergreen Pacific Partners II, LP                   | Wilmington | DE    |   | CAPITAL DISTRIBUTION                    | 09/20/2008               | 09/16/2016    | 530,114                                                    |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 530,114                                                    | 530,114       |                                          |                                  |                               |                   |
| 000000-00-0                                                    | Foundry Group Select Fund, L.P.                     | Wilmington | DE    |   | CAPITAL DISTRIBUTION                    | 08/09/2013               | 09/28/2016    | 4,772,754                                                  |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 4,772,754                                                  | 4,772,754     |                                          |                                  |                               |                   |
| 000000-00-0                                                    | Foundry Ventures 2007, LP                           | Wilmington | DE    |   | CAPITAL DISTRIBUTION                    | 11/19/2007               | 09/28/2016    | 27,660                                                     |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 27,660                                                     | 27,660        |                                          |                                  |                               |                   |
| 000000-00-0                                                    | Genstar Capital Partners VII, L.P.                  | Wilmington | DE    |   | CAPITAL DISTRIBUTION                    | 10/01/2015               | 07/08/2016    | 52,979                                                     |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 52,979                                                     | 52,979        |                                          |                                  |                               |                   |
| 000000-00-0                                                    | Global Infrastructure Partners                      | Wilmington | DE    |   | CAPITAL DISTRIBUTION                    | 07/11/2007               | 07/12/2016    | 2,066,728                                                  |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 2,066,728                                                  | 2,066,728     |                                          |                                  |                               |                   |
| 000000-00-0                                                    | Global Infrastructure Partners III, L.P.            | Wilmington | DE    |   | CAPITAL DISTRIBUTION                    | 09/02/2016               | 09/19/2016    | 984,690                                                    |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 984,690                                                    | 984,690       |                                          |                                  |                               |                   |
| 000000-00-0                                                    | Goldman Sachs Capital Partners VI, LP               | Wilmington | DE    |   | CAPITAL DISTRIBUTION                    | 04/26/2007               | 09/26/2016    | 4,095                                                      |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 4,095                                                      | 4,095         |                                          |                                  |                               |                   |
| 000000-00-0                                                    | Goldman Sachs Vintage Fund IV                       | Wilmington | DE    |   | CAPITAL DISTRIBUTION                    | 01/23/2007               | 07/29/2016    | 214,505                                                    |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 214,505                                                    | 214,505       |                                          |                                  |                               |                   |
|                                                                |                                                     |            |       |   |                                         |                          |               | 84,111                                                     |                                          |                                                            |                                                     |                                         |                                                           |                                                        | 84,111                                                     | 84,111        |                                          |                                  |                               |                   |

STATEMENT AS OF SEPTEMBER 30, 2016 OF THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

SCHEDULE BA - PART 3

Showing Other Long-Term Invested Assets DISPOSED, Transferred or Repaid During the Current Quarter

| 1                    | 2                                              | Location   |       | 5                                       | 6                        | 7             | 8                                                   | Change in Book/Adjusted Carrying Value   |                                                           |                                                           |                                         |                                                           |                                                               | 15                                                   | 16            | 17                                       | 18                               | 19                            | 20                |
|----------------------|------------------------------------------------|------------|-------|-----------------------------------------|--------------------------|---------------|-----------------------------------------------------|------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------|-----------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------|---------------|------------------------------------------|----------------------------------|-------------------------------|-------------------|
|                      |                                                | 3          | 4     |                                         |                          |               |                                                     | 9                                        | 10                                                        | 11                                                        | 12                                      | 13                                                        | 14                                                            |                                                      |               |                                          |                                  |                               |                   |
| CUSIP Identification | Name or Description                            | City       | State | Name of Purchaser or Nature of Disposal | Date Originally Acquired | Disposal Date | Book/Adjusted Carrying Less Encumbrances Prior Year | Unrealized Valuation Increase (Decrease) | Current Year's (Depreciation) or (Amortization)/Accretion | Current Year's Other Than Temporary Impairment Recognized | Capitalized Deferred Interest and Other | Total Change in Book/Adjusted Carrying Value (9+10-11+12) | Total Foreign Exchange Change in Book/Adjusted Carrying Value | Book/Adjusted Carrying Less Encumbrances on Disposal | Consideration | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Investment Income |
| 000000-00-0          | Green Equity Investors VI, LP                  | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 12/06/2012               | 09/19/2016    | 339,127                                             |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 339,127                                              |               |                                          |                                  |                               |                   |
| 000000-00-0          | GS Mezzanine Partners 2006, LP                 | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 04/12/2006               | 06/29/2016    | 462,943                                             |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 462,943                                              |               |                                          |                                  |                               |                   |
| 000000-00-0          | KW Property Fund III, LP                       | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 03/27/2009               | 09/16/2016    | 4,073,798                                           |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 4,073,798                                            |               |                                          |                                  |                               |                   |
| 000000-00-0          | Levine Leichman Capital Partners IV, LP        | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 12/29/2008               | 09/08/2016    | 1,953,533                                           |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 1,953,533                                            |               |                                          |                                  |                               |                   |
| 000000-00-0          | Levine Leichman Capital Partners V, LP         | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 04/11/2013               | 09/30/2016    | 10,262                                              |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 10,262                                               |               |                                          |                                  |                               |                   |
| 000000-00-0          | Longworth Advisory Partners III, LP            | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 06/08/2009               | 09/31/2016    | 3,432                                               |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 3,432                                                |               |                                          |                                  |                               |                   |
| 000000-00-0          | Longworth Venture Partners III, LP             | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 12/10/2008               | 06/31/2016    | 300,508                                             |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 300,508                                              |               |                                          |                                  |                               |                   |
| 000000-00-0          | NB Co-Investment Partners                      | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 09/26/2006               | 08/23/2016    | 760,511                                             |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 760,511                                              |               |                                          |                                  |                               |                   |
| 000000-00-0          | North Bridge Venture Partners VI               | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 03/07/2006               | 09/01/2016    | 39,600                                              |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 39,600                                               |               |                                          |                                  |                               |                   |
| 000000-00-0          | Opus Capital VI, LP                            | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 02/28/2011               | 09/07/2016    | 171,829                                             |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 171,829                                              |               |                                          |                                  |                               |                   |
| 000000-00-0          | Papagos Ventures IV, LP                        | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 01/15/2009               | 06/17/2016    | 1,860,381                                           |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 1,860,381                                            |               |                                          |                                  |                               |                   |
| 000000-00-0          | Pfingsten Capital Partners IV, LP              | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 03/31/2009               | 07/06/2016    | 991,251                                             |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 991,251                                              |               |                                          |                                  |                               |                   |
| 000000-00-0          | Phoenix 2010 Fund, LP                          |            |       | CAPITAL DISTRIBUTION                    | 06/02/2010               | 09/12/2016    | 1,423,142                                           |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 1,423,142                                            |               |                                          |                                  |                               |                   |
| 000000-00-0          | R3 Longview Equity Fund, LP                    | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 07/18/2007               | 09/03/2016    | 1,321,717                                           |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 1,321,717                                            |               |                                          |                                  |                               |                   |
| 000000-00-0          | SVB Global Preferred Return Fund, LP           | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 02/10/2010               | 09/29/2016    | 570,000                                             |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 570,000                                              |               |                                          |                                  |                               |                   |
| 000000-00-0          | The Buchanan Fund V, LLC                       | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 11/03/2006               | 07/27/2016    | 363,546                                             |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 363,546                                              |               |                                          |                                  |                               |                   |
| 000000-00-0          | Trident V, L.P.                                |            | CVM   | CAPITAL DISTRIBUTION                    | 12/28/2010               | 07/11/2016    | 1,825                                               |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 1,825                                                |               |                                          |                                  |                               |                   |
| 000000-00-0          | Trivest VI, LP                                 | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 09/12/2014               | 06/22/2016    | 56,561                                              |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 56,561                                               |               |                                          |                                  |                               |                   |
| 000000-00-0          | Trivest V LP                                   | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 05/24/2013               | 07/08/2016    | 959,054                                             |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 959,054                                              |               |                                          |                                  |                               |                   |
| 000000-00-0          | Warburg Pincus Energy, L.P.                    | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 07/25/2014               | 07/25/2016    | 15,000                                              |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 15,000                                               |               |                                          |                                  |                               |                   |
| 000000-00-0          | Warburg Pincus X, LP                           | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 10/01/2007               | 09/25/2016    | 44,845                                              |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 44,845                                               |               |                                          |                                  |                               |                   |
| 000000-00-0          | Warburg Pincus XI, LP                          | Wilmington | DE    | CAPITAL DISTRIBUTION                    | 09/20/2012               | 07/08/2016    | 503,750                                             |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 503,750                                              |               |                                          |                                  |                               |                   |
| 21999999             | Joint Venture Interests - Other - Unaffiliated |            |       |                                         |                          |               | 31,898,944                                          |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 31,898,944                                           |               |                                          |                                  |                               |                   |
| 000000-00-0          | GUARDIAN INVESTOR SERVICES, LLC                | WILMINGTON | DE    |                                         | 06/31/2006               | 09/30/2016    | 70,000,000                                          |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 70,000,000                                           |               |                                          |                                  |                               |                   |
| 43999999             | Any Other Class of Assets - Affiliated         |            |       |                                         |                          |               | 70,000,000                                          |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 70,000,000                                           |               |                                          |                                  |                               |                   |
| 44999999             | Total - Unaffiliated                           |            |       |                                         |                          |               | 31,988,944                                          |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 31,988,944                                           |               |                                          |                                  |                               |                   |
| 45999999             | Total - Affiliated                             |            |       |                                         |                          |               | 87,870,103                                          |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 87,870,103                                           |               |                                          |                                  | (159,700)                     |                   |
| 46999999             | Totals                                         |            |       |                                         |                          |               | 119,869,047                                         |                                          |                                                           |                                                           |                                         |                                                           |                                                               | 119,869,047                                          |               |                                          |                                  | (159,700)                     |                   |

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

| 1                                                                                              | 2                               | 3       | 4             | 5                          | 6                         | 7             | 8             | 9                                       | 10                                       |
|------------------------------------------------------------------------------------------------|---------------------------------|---------|---------------|----------------------------|---------------------------|---------------|---------------|-----------------------------------------|------------------------------------------|
| CUSIP Identification                                                                           | Description                     | Foreign | Date Acquired | Name of Vendor             | Number of Shares of Stock | Actual Cost   | Par Value     | Paid for Accrued Interest and Dividends | NAIC Designation or Market Indicator (a) |
| 912810-FT-0                                                                                    | US TREASURY N/B                 |         | 08/31/2016    | GOLDMAN SACHS              |                           | 4,300,148     | 3,000,000     | 38,317                                  | 1                                        |
| 912810-RQ-3                                                                                    | US TREASURY N/B                 |         | 08/12/2016    | VARIOUS                    |                           | 97,317,751    | 186,965,000   | 1,559,200                               | 1                                        |
| 912810-RS-9                                                                                    | US TREASURY N/B                 |         | 09/30/2016    | VARIOUS                    |                           | 98,157,267    | 94,170,000    | 720,954                                 | 1                                        |
| 912810-RT-7                                                                                    | US TREASURY N/B                 |         | 09/23/2016    | VARIOUS                    |                           | 55,285,508    | 57,000,000    | 133,655                                 | 1                                        |
| 912828-2A-7                                                                                    | US TREASURY N/B                 |         | 09/30/2016    | VARIOUS                    |                           | 250,176,102   | 252,900,000   | 282,879                                 | 1                                        |
| 912828-2B-5                                                                                    | US TREASURY N/B                 |         | 08/31/2016    | MITSUBISHI SECURITIES      |                           | 49,789,063    | 50,000,000    | 17,323                                  | 1                                        |
| 912828-2D-1                                                                                    | US TREASURY N/B                 |         | 08/19/2016    | CITI CORP SECURITIES       |                           | 4,937,440     | 5,000,000     |                                         | 1                                        |
| 912828-2F-6                                                                                    | US TREASURY N/B                 |         | 09/27/2016    | VARIOUS                    |                           | 42,329,586    | 42,400,000    | 25,925                                  | 1                                        |
| 912828-04-5                                                                                    | US TREASURY N/B                 |         | 09/27/2016    | MITSUBISHI SECURITIES      |                           | 10,023,047    | 10,000,000    | 43,272                                  | 1                                        |
| 912828-R3-6                                                                                    | US TREASURY N/B                 |         | 08/17/2016    | VARIOUS                    |                           | 255,410,147   | 252,575,000   | 856,936                                 | 1                                        |
| 912828-R6-9                                                                                    | US TREASURY N/B                 |         | 07/11/2016    | UBS SECURITIES             |                           | 30,723,047    | 30,000,000    | 55,943                                  | 1                                        |
| 912828-S2-7                                                                                    | US TREASURY N/B                 |         | 07/20/2016    | VARIOUS                    |                           | 24,421,812    | 24,360,000    | 12,031                                  | 1                                        |
| 912828-S4-3                                                                                    | US TREASURY N/B                 |         | 08/04/2016    | GOLDMAN SACHS              |                           | 15,001,758    | 15,000,000    | 6,420                                   | 1                                        |
| 912828-S7-6                                                                                    | US TREASURY N/B                 |         | 08/16/2016    | VARIOUS                    |                           | 55,578,844    | 55,390,000    | 7,387                                   | 1                                        |
| 912828-T2-6                                                                                    | US TREASURY N/B                 |         | 09/27/2016    | GOLDMAN SACHS              |                           | 7,990,959     | 8,000,000     |                                         | 1                                        |
| 912828-T4-2                                                                                    | US TREASURY N/B                 |         | 09/26/2016    | CITI CORP SECURITIES       |                           | 50,006,936    | 50,000,000    |                                         | 1                                        |
| 05099999-Subtotal - Bonds - U.S. Governments                                                   |                                 |         |               |                            |                           | 1,151,789,415 | 1,138,760,000 | 3,740,242                               | XXX                                      |
| 130633-2B-6                                                                                    | CALIFORNIA ST                   |         | 09/22/2016    | MORGAN STANLEY             |                           | 18,528,450    | 15,000,000    | 23,611                                  | 1FE                                      |
| 17099999-Subtotal - Bonds - U.S. States, Territories and Possessions                           |                                 |         |               |                            |                           | 18,528,450    | 15,000,000    | 23,611                                  | XXX                                      |
| 610061-8F-1                                                                                    | NEW YORK NY                     |         | 07/15/2016    | EXCHANGE                   |                           | 3,064,086     | 3,035,000     |                                         | 1                                        |
| 24099999-Subtotal - Bonds - U.S. Political Subdivisions of States, Territories and Possessions |                                 |         |               |                            |                           | 3,064,086     | 3,035,000     |                                         | XXX                                      |
| 01FD32-67-4                                                                                    | PNL 3,500000 7/07/2046          |         | 07/12/2016    | BARCLAY'S                  |                           | (183,554)     | (50,000,000)  |                                         | 1                                        |
| 01FD32-68-2                                                                                    | PNL 3,500000 8/01/2046          |         | 08/09/2016    | BARCLAY'S                  |                           | 52,779,237    | 100,000,000   |                                         | 1                                        |
| 01FD32-69-0                                                                                    | PNL 3,500000 9/01/2046          |         | 08/08/2016    | BARCLAY'S                  |                           | 52,601,563    | 50,000,000    |                                         | 1                                        |
| 187145-FD-4                                                                                    | CLIFTON TX HGR EDU FIN CORP ED  |         | 08/22/2016    | ROBERT W. BAIRD & CO, INC  |                           | 2,428,960     | 2,000,000     |                                         | 1FE                                      |
| 31380E-JK-8                                                                                    | FN 3,500000 4/1/2045            |         | 08/08/2016    | BARCLAY'S                  |                           | 8,416,250     | 8,000,000     | 10,111                                  | 1                                        |
| 31380F-JF-8                                                                                    | FN 3,500000 10/1/2045           |         | 08/08/2016    | BARCLAY'S                  |                           | 10,520,314    | 10,000,001    | 12,639                                  | 1                                        |
| 31380G-A6-1                                                                                    | FN 3,500000 12/1/2045           |         | 08/08/2016    | BARCLAY'S                  |                           | 6,312,187     | 6,000,000     | 7,583                                   | 1                                        |
| 3140EU-LG-2                                                                                    | FN 3,500000 12/1/2045           |         | 08/08/2016    | BARCLAY'S                  |                           | 12,624,375    | 12,000,000    | 15,167                                  | 1                                        |
| 3140EY-R2-9                                                                                    | FN 3,500000 2/1/2046            |         | 08/08/2016    | KEY BANK                   |                           | 14,728,437    | 14,000,000    | 17,694                                  | 1                                        |
| 520463-4L-5                                                                                    | LAURENBERG IN POLL CONTROL R    |         | 09/14/2016    | KEY BANK                   |                           | 17,000,000    | 17,000,000    | 6,022                                   | 1FE                                      |
| 526214-HL-4                                                                                    | NET TRANSPORT AUTH NY REVENUE   |         | 07/21/2016    | WELLS FARGO SECURITIES LLC |                           | 23,831,400    | 20,000,000    |                                         | 1FE                                      |
| 533339-T2-8                                                                                    | MIAMI-DCDE ONTY FL AVIATION RE  |         | 09/01/2016    | EXCHANGE                   |                           | 1,555,542     | 1,575,000     |                                         | 1FE                                      |
| 533339-V8-5                                                                                    | MIAMI-DCDE ONTY FL AVIATION RE  |         | 09/01/2016    | EXCHANGE                   |                           | 4,893,783     | 4,955,000     |                                         | 1FE                                      |
| 594698-EC-2                                                                                    | MICHIGAN ST STRATEGIC FUND LTD  |         | 09/14/2016    | KEY BANK                   |                           | 4,000,000     | 4,000,000     | 1,376                                   | 1FE                                      |
| 649711-S8-8                                                                                    | NEW YORK CITY NY TRANSITIONALF  |         | 09/15/2016    | RAMIREZ & CO, INC          |                           | 6,071,400     | 5,000,000     |                                         | 1FE                                      |
| 797660-6F-0                                                                                    | SAN FRANCISCO CALIF CITY & CNTY |         | 09/16/2016    | GOLDMAN SACHS              |                           | 17,537,850    | 15,000,000    |                                         | 1FE                                      |
| 31099999-Subtotal - Bonds - U.S. Special Revenues                                              |                                 |         |               |                            |                           | 235,217,764   | 219,530,001   | 70,582                                  | XXX                                      |
| 001192-AK-9                                                                                    | SOUTHERN CO GAS CAPITAL         |         | 07/25/2016    | BANK OF AMERICA            |                           | 3,863,489     | 3,650,000     | 25,428                                  | 2FE                                      |
| 00130H-B5-3                                                                                    | AES CORP/VA                     |         | 09/19/2016    | GOLDMAN SACHS              |                           | 1,142,500     | 1,000,000     | 16,594                                  | 3FE                                      |
| 00138C-A8-4                                                                                    | AIG GLOBAL FUNDING              |         | 09/29/2016    | DEUTSCHE BANK              |                           | 9,981,500     | 10,000,000    |                                         | 1FE                                      |
| 00206F-QN-0                                                                                    | AT&T INC                        |         | 09/21/2016    | SUNTRUST EQUITABLE         |                           | 4,069,360     | 4,000,000     | 49,489                                  | 2FE                                      |
| 00206F-QL-3                                                                                    | AT&T INC                        |         | 09/08/2016    | EXCHANGE                   |                           | 59,975,279    | 51,381,000    |                                         | 2FE                                      |
| 002871-AM-1                                                                                    | ABBVIE INC                      |         | 09/06/2016    | BARCLAY'S                  |                           | 12,701,160    | 12,000,000    | 180,400                                 | 2FE                                      |
| 00404E-AV-9                                                                                    | CHUBB INA HOLDINGS INC          |         | 09/28/2016    | J.P. MORGAN                |                           | 10,788,300    | 10,000,000    | 136,792                                 | 1FE                                      |
| 00507V-AG-4                                                                                    | ACTIVISION BLIZZARD             |         | 09/14/2016    | BANK OF AMERICA            |                           | 6,891,460     | 7,000,000     |                                         | 2FE                                      |
| 00507V-AJ-8                                                                                    | ACTIVISION BLIZZARD             |         | 09/14/2016    | BANK OF AMERICA            |                           | 6,972,980     | 7,000,000     |                                         | 2FE                                      |
| 008171-AJ-6                                                                                    | AETNA INC                       |         | 09/15/2016    | CREDIT SUISSE FIRST BOSTON |                           | 5,130,850     | 5,000,000     | 61,372                                  | 2FE                                      |
| 008558-AJ-8                                                                                    | AGREE LIMITED PARTNERSHIP       |         | 07/28/2016    | DIRECT(1)                  |                           | 10,000,000    | 10,000,000    |                                         | 2Z                                       |
| 010392-FL-7                                                                                    | ALABAMA POWER CO                |         | 09/08/2016    | KEY BANK                   |                           | 2,227,940     | 2,000,000     | 6,456                                   | 1FE                                      |
| 010392-FN-5                                                                                    | ALABAMA POWER CO                |         | 09/08/2016    | JEFFERIES & COMPANY, INC.  |                           | 2,082,280     | 2,000,000     | 33,333                                  | 1FE                                      |
| 013039-AC-3                                                                                    | ALBERTSONS COS LLC/SAFEH        |         | 08/04/2016    | BANK OF AMERICA            |                           | 4,100,000     | 4,100,000     |                                         | 4FE                                      |
| 020002-BK-8                                                                                    | ALLSTATE CORP                   |         | 07/12/2016    | VARIOUS                    |                           | 10,657,002    | 9,955,000     | 32,488                                  | 1FE                                      |
| 02005A-CS-5                                                                                    | AMOT 2012-4 A                   |         | 07/21/2016    | DEUTSCHE BANK              |                           | 10,040,625    | 10,000,000    | 5,256                                   | 1FE                                      |
| 02005A-ER-5                                                                                    | AMOT 2014-5 A2                  |         | 07/12/2016    | VARIOUS                    |                           | 16,570,855    | 16,510,000    |                                         | 1FE                                      |
| 02005N-BE-9                                                                                    | ALLY FINANCIAL INC              |         | 08/15/2016    | BARCLAY'S                  |                           | 2,430,000     | 2,400,000     | 22,317                                  | 3FE                                      |
| 02208S-4U-7                                                                                    | ALTRIA GROUP INC                |         | 09/14/2016    | GOLDMAN SACHS              |                           | 11,983,500    | 12,000,000    | 1,094                                   | 1FE                                      |
| 02208S-AV-5                                                                                    | ALTRIA GROUP INC                |         | 09/28/2016    | VARIOUS                    |                           | 6,595,355     | 6,500,000     | 4,359                                   | 1FE                                      |
| 025616-BF-5                                                                                    | AMERICAN EXPRESS CO             |         | 07/13/2016    | MORGAN STANLEY             |                           | 7,478,800     | 7,000,000     | 35,438                                  | 1FE                                      |
| 026874-AZ-0                                                                                    | AMERICAN INTL GROUP             |         | 07/20/2016    | DEUTSCHE BANK              |                           | 11,399,335    | 9,900,000     | 138,542                                 | 2FE                                      |
| 026874-DH-7                                                                                    | AMERICAN INTL GROUP             |         | 08/12/2016    | DEUTSCHE BANK              |                           | 3,157,950     | 3,000,000     | 47,125                                  | 2FE                                      |

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

| 1                    | 2                                   | 3       | 4             | 5                          | 6                         | 7           | 8          | 9                                       | 10                                       |
|----------------------|-------------------------------------|---------|---------------|----------------------------|---------------------------|-------------|------------|-----------------------------------------|------------------------------------------|
| CUSIP Identification | Description                         | Foreign | Date Acquired | Name of Vendor             | Number of Shares of Stock | Actual Cost | Par Value  | Paid for Accrued Interest and Dividends | NAIC Designation or Market Indicator (a) |
| 03027X-AL-4          | AMERICAN TOWER CORP                 |         | 09/28/2016    | BANK OF AMERICA            |                           | 14,978,700  | 15,000,000 |                                         | 2FE                                      |
| 03065D-AB-3          | AMCAR 2016-3 A2A                    |         | 08/02/2016    | CITICORP SECURITIES        |                           | 6,999,559   | 7,000,000  |                                         | 1FE                                      |
| 031182-B2-2          | ANGEN INC                           |         | 08/10/2016    | GOLDMAN SACHS              |                           | 10,789,200  | 10,000,000 | 132,000                                 | 2FE                                      |
| 03520T-BE-7          | ANHEUSER-BUSCH NBEV NIOR            | E       | 08/10/2016    | SPECTR GROUP               |                           | 5,744,400   | 5,000,000  | 32,282                                  | 2FE                                      |
| 035242-AH-8          | ANHEUSER-BUSCH NBEV FIN             | E       | 08/17/2016    | BANK OF AMERICA            |                           | 2,332,260   | 2,000,000  | 5,483                                   | 1FE                                      |
| 035242-AH-6          | ANHEUSER-BUSCH NBEV FIN             | E       | 07/13/2016    | MORGAN STANLEY             |                           | 12,363,750  | 10,000,000 | 235,472                                 | 1FE                                      |
| 035242-AP-1          | ANHEUSER-BUSCH NBEV FIN             | E       | 07/27/2016    | VARIOUS                    |                           | 22,513,120  | 21,000,000 | 291,797                                 | 1FE                                      |
| 036011-AB-0          | ANISA 2016- 2A B QLO                |         | 07/12/2016    | BARCLAY'S                  |                           | 14,592,000  | 15,000,000 |                                         | 1FE                                      |
| 036011-AC-8          | ANISA 2016- 2A C QLO                |         | 07/12/2016    | BARCLAY'S                  |                           | 7,000,000   | 7,000,000  |                                         | 1FE                                      |
| 037411-BA-2          | APACHE CORP                         |         | 08/18/2016    | WELLS FARGO SECURITIES LLC |                           | 1,035,950   | 1,000,000  | 16,889                                  | 2FE                                      |
| 037411-BC-8          | APACHE CORP                         |         | 08/18/2016    | WELLS FARGO SECURITIES LLC |                           | 2,833,790   | 3,000,000  | 13,458                                  | 2FE                                      |
| 040555-QJ-6          | ARIZONA PUBLIC SERVICE              |         | 09/12/2016    | WELLS FARGO SECURITIES LLC |                           | 5,200,050   | 5,000,000  | 67,188                                  | 1FE                                      |
| 040555-QV-4          | ARIZONA PUBLIC SERVICE              |         | 09/15/2016    | J.P. MORGAN                |                           | 9,953,700   | 10,000,000 |                                         | 1FE                                      |
| 04774F-AA-0          | ATLANTA FALCONS STADIUM COMPANY LLC |         | 08/05/2016    | BANK OF AMERICA            |                           | 6,000,000   | 6,000,000  |                                         | 2Z                                       |
| 05348E-AZ-2          | AVALONBAY COMMUNITIES               |         | 09/26/2016    | BANK OF AMERICA            |                           | 4,579,750   | 5,000,000  |                                         | 2FE                                      |
| 05490V-AA-5          | BBONS 2015-NSQ A                    |         | 09/01/2016    | J.P. MORGAN                |                           | 10,731,250  | 10,000,000 | 27,946                                  | 1FE                                      |
| 05491L-AA-6          | BBONS 2016-ETC A                    |         | 08/05/2016    | BARCLAY'S                  |                           | 13,393,563  | 13,000,000 | 20,151                                  | 1FE                                      |
| 05491L-AC-2          | BBONS 2016-ETC B                    |         | 08/05/2016    | BARCLAY'S                  |                           | 3,089,876   | 3,000,000  | 5,049                                   | 1FE                                      |
| 055233-AA-9          | BANK 2016-1SQ A                     |         | 07/27/2016    | BANK OF AMERICA            |                           | 15,448,770  | 15,000,000 | 18,987                                  | 1FE                                      |
| 05948K-PII-3         | BDA 2004-4 5A1                      |         | 09/01/2016    | JANNEY MONTGOMERY/SCOTT    |                           | 2,448,865   | 2,475,946  | 1,960                                   | 2FHL                                     |
| 060516-DZ-9          | BANK OF AMERICA CORP                |         | 08/09/2016    | VARIOUS                    |                           | 6,898,300   | 6,000,000  | 116,493                                 | 2FE                                      |
| 06742L-AH-5          | BDOX 2016-1 A                       |         | 07/27/2016    | BARCLAY'S                  |                           | 8,998,661   | 9,000,000  |                                         | 1FE                                      |
| 06849F-AK-8          | BARRICK NIA FINANCE LLC             | g       | 07/14/2016    | VARIOUS                    |                           | 13,796,290  | 12,000,000 | 143,111                                 | 2FE                                      |
| 071813-PP-3          | BAXTER INTERNATIONAL INC            |         | 08/10/2016    | GOLDMAN SACHS              |                           | 9,446,400   | 10,000,000 |                                         | 2FE                                      |
| 07274E-AD-5          | BAYER US FINANCE LLC                | E       | 08/23/2016    | PRIBAS SECURITIES          |                           | 5,01,350    | 5,000,000  | 45,521                                  | 1FE                                      |
| 082173-AH-1          | BLACK HILLS CORP                    |         | 09/27/2016    | VARIOUS                    |                           | 13,101,430  | 19,000,000 | 21,525                                  | 2FE                                      |
| 08238E-AA-2          | BLACKHAWK NETWORK                   |         | 07/28/2016    | VARIOUS                    |                           | 7,224,062   | 7,000,000  | 563                                     | 4Z                                       |
| 111337-AC-7          | BROADRIDGE FINANCIAL SOL            |         | 07/05/2016    | RBC CAP ITAL MARKETS       |                           | 6,161,820   | 6,000,000  | 6,233                                   | 2FE                                      |
| 120568-AX-8          | BUNGE LTD FINANCE CORP              |         | 08/24/2016    | VARIOUS                    |                           | 15,033,430  | 15,000,000 | 6,319                                   | 2FE                                      |
| 12514H-BC-8          | CD 2016-C01 A4                      |         | 08/10/2016    | DEUTSCHE BANK              |                           | 7,467,464   | 7,250,000  | 13,166                                  | 1FE                                      |
| 12592V-AE-4          | OH 2015-B A4                        |         | 07/27/2016    | BARCLAY'S                  |                           | 8,038,180   | 7,960,000  | 6,686                                   | 1FE                                      |
| 126117-AI-7          | ONA FINANCIAL CORP                  |         | 07/19/2016    | BARCLAY'S                  |                           | 11,884,180  | 11,000,000 | 203,500                                 | 2FE                                      |
| 12625C-AA-1          | COMI 2013-SHIP A1                   |         | 07/25/2016    | BANK OF AMERICA            |                           | 3,049,433   | 3,000,000  | 5,623                                   | 1FE                                      |
| 126307-AQ-0          | CSC HOLDINGS LLC                    |         | 09/12/2016    | J.P. MORGAN                |                           | 4,507,563   | 4,500,000  |                                         | 3FE                                      |
| 12635V-AD-5          | OH 2016-C A3                        |         | 09/13/2016    | WELLS FARGO SECURITIES LLC |                           | 5,998,792   | 6,000,000  |                                         | 1FE                                      |
| 126650-QH-8          | CVS HEALTH CORP                     |         | 07/19/2016    | VARIOUS                    |                           | 31,773,000  | 25,000,000 | 1,424                                   | 2FE                                      |
| 126670-JD-6          | CIL 2006-3 M2                       |         | 09/30/2016    | J.P. MORGAN                |                           | 5,594,555   | 7,525,000  | 806                                     | 6FE                                      |
| 126675-F3-2          | CIALT 2005-A7 1A1                   |         | 09/27/2016    | CITICORP SECURITIES        |                           | 5,224,914   | 7,333,213  | 1,248                                   | 6FE                                      |
| 126697-AF-8          | CIL 2007-12 2A4                     |         | 08/08/2016    | CITICORP SECURITIES        |                           | 8,850,000   | 12,000,000 | 10,415                                  | 6FE                                      |
| 12695V-AA-3          | CVS HEALTH CORPORATION              |         | 07/15/2016    | SUNTRUST EQUITABLE         |                           | 18,000,000  | 18,000,000 |                                         | 2FE                                      |
| 12696F-AA-8          | HSS PROPERTIES                      |         | 08/05/2016    | MESIROW                    |                           | 11,397,546  | 11,453,016 |                                         | 1Z                                       |
| 131347-CE-4          | CALPINE CORP                        |         | 08/09/2016    | MARKET ACESS               |                           | 1,745,825   | 1,750,000  | 38,931                                  | 4FE                                      |
| 1374H-AH-2           | AFIN 2016-2 A2A                     |         | 07/26/2016    | LLOYDS                     |                           | 14,737,688  | 14,800,000 | 4,884                                   | 1FE                                      |
| 1376A-AH-6           | AFIN 2016-3 A2A                     |         | 09/12/2016    | BARCLAY'S                  |                           | 3,499,823   | 3,500,000  |                                         | 1FE                                      |
| 13976A-AH-2          | AFIN 2016-3 A3                      |         | 09/12/2016    | BARCLAY'S                  |                           | 2,999,614   | 3,000,000  |                                         | 1FE                                      |
| 1404H-BK-0           | CAPITAL ONE FINANCIAL CO            |         | 07/25/2016    | MORGAN STANLEY             |                           | 11,567,400  | 12,000,000 |                                         | 2FE                                      |
| 1404NH-FE-6          | COMET 2016-A3 A3                    |         | 07/18/2016    | CREDIT SUISSE FIRST BOSTON |                           | 21,899,846  | 22,000,000 |                                         | 2FE                                      |
| 14313V-AA-1          | CARMAX AUTO SUPERSTORES, INC        |         | 07/11/2016    | EXCHANGE                   |                           | 500,000     | 500,000    |                                         | 2                                        |
| 14318V-AB-9          | CARMAX AUTO SUPERSTORES, INC        |         | 07/11/2016    | EXCHANGE                   |                           | 2,000,000   | 2,000,000  |                                         | 2                                        |
| 14318V-AC-7          | CARMAX AUTO SUPERSTORES, INC        |         | 07/11/2016    | EXCHANGE                   |                           | 2,000,000   | 2,000,000  |                                         | 2                                        |
| 14318V-AC-5          | CARMAX 2016-3 A3                    |         | 07/14/2016    | CREDIT SUISSE FIRST BOSTON |                           | 12,498,133  | 12,500,000 |                                         | 1FE                                      |
| 144141-D9-1          | DIKE ENERGY PROGRESS INC            |         | 09/08/2016    | JEFFERIES & COMPANY, INC.  |                           | 4,399,240   | 4,000,000  | 53,756                                  | 1FE                                      |
| 15089Q-AC-8          | CELANESE US HOLDINGS LLC            |         | 07/20/2016    | CREDIT SUISSE FIRST BOSTON |                           | 11,500,000  | 10,000,000 | 65,278                                  | 2FE                                      |
| 161175-AI-1          | CHARTER COMM OPT LCO/CP             |         | 08/12/2016    | BANK OF AMERICA            |                           | 5,942,650   | 5,000,000  | 16,360                                  | 2FE                                      |
| 161571-HE-7          | CHATT 2016-AA A4                    |         | 07/27/2016    | VARIOUS                    |                           | 21,397,365  | 22,000,000 | 331                                     | 1FE                                      |
| 172987-JN-2          | CITIGROUP INC                       |         | 09/26/2016    | VARIOUS                    |                           | 3,315,127   | 3,310,000  | 20,925                                  | 2FE                                      |
| 172987-JJ-6          | CITIGROUP INC                       |         | 09/20/2016    | J.P. MORGAN                |                           | 11,071,500  | 10,000,000 | 68,458                                  | 2FE                                      |
| 172987-KN-0          | CITIGROUP INC                       |         | 09/27/2016    | CITICORP SECURITIES        |                           | 10,374,900  | 10,000,000 | 139,778                                 | 2FE                                      |
| 17325C-AA-3          | CSMT 2016-SHPL A                    |         | 09/23/2016    | CITICORP SECURITIES        |                           | 14,989,871  | 15,000,000 | 11,140                                  | 1FE                                      |
| 17325C-AC-B          | CSMT 2016-SHPL B                    |         | 09/23/2016    | CITICORP SECURITIES        |                           | 5,989,819   | 5,500,000  | 4,723                                   | 1FE                                      |
| 17325D-AF-0          | CSMT 2016-PS AS                     |         | 09/30/2016    | CITICORP SECURITIES        |                           | 5,149,940   | 5,000,000  | 8,018                                   | 1FE                                      |
| 19650Q-AA-0          | COLORADO INT GAS CO/ISS             |         | 09/11/2016    | WZHD SECURITIES            |                           | 14,963,550  | 15,000,000 |                                         | 2FE                                      |



SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

| 1                    | 2                         | 3       | 4             | 5                             | 6                         | 7           | 8          | 9                                       | 10                                       |
|----------------------|---------------------------|---------|---------------|-------------------------------|---------------------------|-------------|------------|-----------------------------------------|------------------------------------------|
| CUSIP Identification | Description               | Foreign | Date Acquired | Name of Vendor                | Number of Shares of Stock | Actual Cost | Par Value  | Paid for Accrued Interest and Dividends | NAIC Designation or Market Indicator (a) |
| 202795-JJ-0          | COMMONWEALTH EDISON CO    |         | 09/09/2016    | MORGAN STANLEY                |                           | 13,310,400  | 13,000,000 | 101,490                                 | 1FE                                      |
| 22545L-AG-4          | CSNC 2006-C5 AM           |         | 07/14/2016    | STIFEL NICOLAUS & COMPANY INC |                           | 503,281     | 500,000    | 1,336                                   | 1FA                                      |
| 23669F-AQ-8          | CBESMART LP               |         | 08/08/2016    | WELLS FARGO SECURITIES LLC    |                           | 9,560,400   | 10,000,000 |                                         | 2FE                                      |
| 23312J-AF-3          | DBPI 2016-C3 A5           |         | 07/26/2016    | DEUTSCHE BANK                 |                           | 5,664,945   | 5,500,000  | 4,415                                   | 1FE                                      |
| 230851-AU-8          | DAILMER FINANCE NA LLC    | E       | 09/13/2016    | VARIOUS                       |                           | 7,042,757   | 7,000,000  | 23,490                                  | 1FE                                      |
| 24703E-AB-5          | DEFT 2016-1 A2            |         | 07/12/2016    | RBC CAPITAL MARKETS           |                           | 7,599,557   | 7,600,000  |                                         | 1FE                                      |
| 25179H-AN-3          | DEVON ENERGY CORPORATION  |         | 07/14/2016    | VARIOUS                       |                           | 11,349,760  | 12,000,000 | 96,188                                  | 2FE                                      |
| 25466A-AJ-0          | DJ SCOVER BANK            |         | 07/21/2016    | CITI CORP SECURITIES          |                           | 9,999,100   | 10,000,000 |                                         | 2FE                                      |
| 254683-BV-6          | DENT 2016-A4 A4           |         | 09/14/2016    | RBC CAPITAL MARKETS           |                           | 12,598,881  | 13,000,000 |                                         | 1FE                                      |
| 25689P-DN-5          | WALT DISNEY COMPANY/THE   |         | 07/07/2016    | BANK OF AMERICA               |                           | 9,789,700   | 10,000,000 |                                         | 1FE                                      |
| 256677-AQ-9          | DOLLAR GENERAL CORP       |         | 08/04/2016    | BARCLAY'S                     |                           | 10,423,200  | 10,000,000 | 102,917                                 | 2FE                                      |
| 25746U-CK-3          | DOMINION RESOURCES INC    |         | 09/04/2016    | MITZUO SECURITIES             |                           | 6,997,550   | 7,000,000  |                                         | 2FE                                      |
| 263534-BR-9          | E.I. DU PONT DE NEMOURS   |         | 07/26/2016    | STIFEL NICOLAUS & COMPANY INC |                           | 12,395,500  | 10,000,000 | 68,444                                  | 1FE                                      |
| 263534-CJ-6          | E.I. DU PONT DE NEMOURS   |         | 08/22/2016    | MORGAN STANLEY                |                           | 16,222,070  | 15,375,000 | 16,465                                  | 1FE                                      |
| 26441C-AS-4          | DKE ENERGY CORP           |         | 08/09/2016    | BARCLAY'S                     |                           | 4,984,600   | 5,000,000  |                                         | 2FE                                      |
| 26441C-AT-2          | DKE ENERGY CORP           |         | 09/14/2016    | VARIOUS                       |                           | 17,219,620  | 17,600,000 | 37,998                                  | 2FE                                      |
| 26442J-AC-8          | DKE ENERGY PROGRESS LLC   |         | 09/13/2016    | WELLS FARGO SECURITIES LLC    |                           | 9,974,500   | 10,000,000 |                                         | 1FE                                      |
| 26449H-AA-9          | DKE ENERGY FLORIDA LLC    |         | 09/09/2016    | VARIOUS                       |                           | 15,765,900  | 16,000,000 | 2,644                                   | 1FE                                      |
| 26884J-AA-0          | EPR PROPERTIES            |         | 07/22/2016    | BANK OF AMERICA               |                           | 12,000,000  | 12,000,000 |                                         | 2FE                                      |
| 26884J-AB-8          | EPR PROPERTIES            |         | 07/22/2016    | BANK OF AMERICA               |                           | 17,000,000  | 17,000,000 |                                         | 2FE                                      |
| 26969P-AA-6          | EAGLE MATERIALS INC       |         | 07/28/2016    | J.P. MORGAN                   |                           | 1,000,000   | 1,000,000  |                                         | 2FE                                      |
| 27743Z-AP-5          | EASTMAN CHEMICAL CO       |         | 07/18/2016    | RBC CAPITAL MARKETS           |                           | 3,166,440   | 3,000,000  | 37,200                                  | 2FE                                      |
| 286512-AD-1          | ELECTRONIC ARTS INC       |         | 09/21/2016    | STIFEL NICOLAUS & COMPANY INC |                           | 7,732,010   | 7,000,000  | 22,133                                  | 2FE                                      |
| 29036J-AF-4          | ENLINK MIDSTREAM PARTNER  |         | 07/20/2016    | VARIOUS                       |                           | 18,262,888  | 18,255,000 | 8,882                                   | 2FE                                      |
| 29084G-AJ-2          | ENERGY CORP               |         | 08/16/2016    | VARIOUS                       |                           | 14,979,905  | 15,000,000 |                                         | 2FE                                      |
| 29084H-AI-4          | ENERGY LOUISIANA LLC      |         | 09/28/2016    | GOLDMAN SACHS                 |                           | 9,957,700   | 10,000,000 |                                         | 1FE                                      |
| 29372E-BS-6          | EFF 2016-2 A2             |         | 07/12/2016    | J.P. MORGAN                   |                           | 5,989,601   | 6,000,000  |                                         | 1FE                                      |
| 30219G-AN-8          | EXPRESS SCRIPTS HOLDING   |         | 08/05/2016    | VARIOUS                       |                           | 15,181,400  | 15,000,000 | 49,111                                  | 2FE                                      |
| 30219G-AP-3          | EXPRESS SCRIPTS HOLDING   |         | 07/22/2016    | BARCLAY'S                     |                           | 10,685,900  | 10,000,000 | 29,333                                  | 2FE                                      |
| 3138AJ-DU-7          | FNA 2014-1I2 A2           |         | 08/26/2016    | VARIOUS                       |                           | 3,729,957   | 3,000,000  | 9,965                                   | 1                                        |
| 3138AS-AR-4          | FNA 2016-1I2 A2           |         | 07/12/2016    | GOLDMAN SACHS                 |                           | 7,070,000   | 7,000,000  | 13,608                                  | 1                                        |
| 3138AT-YT-5          | FNA 2016-1I9 A2           |         | 09/08/2016    | MORGAN STANLEY                |                           | 5,049,860   | 5,000,000  | 9,282                                   | 1                                        |
| 313747-AX-5          | FEDERAL REALTY INVESTMENT |         | 07/12/2016    | VARIOUS                       |                           | 10,309,525  | 10,300,000 | 705                                     | 1FE                                      |
| 313786-AZ-4          | FHIS K043 A2              |         | 08/11/2016    | PIERPONT SECURITIES           |                           | 7,119,750   | 6,600,000  | 8,421                                   | 1                                        |
| 31376J-PB-4          | FHIS K046 A2              |         | 08/05/2016    | MORGAN STANLEY                |                           | 6,984,000   | 6,400,000  | 5,128                                   | 1                                        |
| 31378L-AC-2          | FHIS K048 A2              |         | 08/05/2016    | BARCLAY'S                     |                           | 16,134,973  | 14,700,000 | 12,069                                  | 1                                        |
| 31378L-1I2-8         | FHIS K049 A2              |         | 08/16/2016    | CITI CORP SECURITIES          |                           | 12,191,994  | 11,320,000 | 17,037                                  | 1                                        |
| 31378H-TX-4          | FHIS K052 A2              |         | 08/16/2016    | CITI CORP SECURITIES          |                           | 11,400,266  | 10,488,000 | 16,540                                  | 1                                        |
| 31378B-QJ-7          | FHIS K057 A2              |         | 09/14/2016    | BARCLAY'S                     |                           | 13,998,986  | 13,000,000 | 25,058                                  | 1                                        |
| 31376U-DN-6          | STACR 2015-DN1 M3         |         | 09/30/2016    | BARCLAY'S                     |                           | 16,251,609  | 14,417,000 |                                         | 1                                        |
| 31677A-AB-0          | FIFTH THIRD BANK          |         | 08/01/2016    | GOLDMAN SACHS                 |                           | 10,687,100  | 10,000,000 | 148,663                                 | 2FE                                      |
| 31677D-BD-0          | FIFTH THIRD BANK          |         | 09/22/2016    | MITZUO SECURITIES             |                           | 5,082,450   | 5,000,000  | 11,049                                  | 1FE                                      |
| 341081-FH-4          | FLORIDA POWER & LIGHT CO  |         | 07/21/2016    | MORGAN STANLEY                |                           | 10,651,900  | 10,000,000 | 47,743                                  | 1FE                                      |
| 34528U-DE-1          | FORDE 2014-1 A1           |         | 08/30/2016    | CREDIT AGRICOLE SECURITIES    |                           | 4,520,706   | 4,520,000  | 2,561                                   | 1FE                                      |
| 34529U-EU-4          | FORDE 2016-3 A1           |         | 07/19/2016    | J.P. MORGAN                   |                           | 9,988,277   | 10,000,000 |                                         | 1FE                                      |
| 345397-XU-2          | FORD MOTOR CREDIT CO LLC  |         | 09/07/2016    | BANK OF AMERICA               |                           | 10,770,600  | 10,000,000 | 98,972                                  | 2FE                                      |
| 34540U-AA-7          | FORD MOTOR CREDIT CO LLC  |         | 09/09/2016    | VARIOUS                       |                           | 4,035,910   | 4,000,000  | 15,306                                  | 2FE                                      |
| 33671D-BH-7          | FREEMORT-MORGAN INC       |         | 09/20/2016    | GOLDMAN SACHS                 |                           | 927,500     | 1,000,000  | 14,333                                  | 3FE                                      |
| 33806A-AP-3          | FRONTIER COMMUNICATIONS   |         | 09/19/2016    | DEUTSCHE BANK                 |                           | 955,000     | 1,000,000  | 1,215                                   | 1FE                                      |
| 36251H-AB-7          | GIALT 2016-3 A2A          |         | 09/13/2016    | CREDIT AGRICOLE SECURITIES    |                           | 3,999,939   | 4,000,000  |                                         | 1FE                                      |
| 36251H-AD-3          | GIALT 2016-3 A3           |         | 09/27/2016    | CREDIT AGRICOLE SECURITIES    |                           | 5,999,924   | 6,000,000  |                                         | 1FE                                      |
| 37045V-BG-0          | GENERAL MOTORS FINL CO    |         | 09/15/2016    | VARIOUS                       |                           | 16,540,500  | 15,000,000 | 140,000                                 | 2FE                                      |
| 37558B-BH-5          | GILEAD SCIENCES INC       |         | 09/15/2016    | VARIOUS                       |                           | 9,983,830   | 10,000,000 |                                         | 1FE                                      |
| 37558B-BU-1          | GILEAD SCIENCES INC       |         | 09/15/2016    | BANK OF AMERICA               |                           | 4,971,500   | 5,000,000  |                                         | 1FE                                      |
| 375916-AF-0          | GILDAN ACTIVEWEAR INC     |         | 07/13/2016    | BANK OF AMERICA               |                           | 4,000,000   | 4,000,000  |                                         | 1Z                                       |
| 375916-BB-1          | GILDAN ACTIVEWEAR INC     |         | 07/13/2016    | BANK OF AMERICA               |                           | 6,000,000   | 6,000,000  |                                         | 1Z                                       |
| 38141E-AZ-5          | GOLDMAN SACHS GROUP INC   |         | 09/14/2016    | GOLDMAN SACHS                 |                           | 4,539,080   | 4,000,000  | 28,333                                  | 1FE                                      |
| 38141G-FD-1          | GOLDMAN SACHS GROUP INC   |         | 08/04/2016    | GOLDMAN SACHS                 |                           | 8,619,650   | 7,000,000  | 168,000                                 | 2FE                                      |
| 38143U-BH-7          | GULFSTREAM NATURAL GAS    |         | 09/26/2016    | GOLDMAN SACHS                 |                           | 31,042,585  | 29,500,000 | 95,417                                  | 1FE                                      |
| 40274U-AE-4          | HBC BANK USA NA           |         | 07/14/2016    | J.P. MORGAN                   |                           | 9,258,163   | 8,320,000  | 129,260                                 | 2FE                                      |
| 40291U-AE-7          | HARTFORD FINL SVCS GRP    |         | 08/16/2016    | HSC SECURITIES, INC.          |                           | 1,341,512   | 1,232,000  | 29,196                                  | 1FE                                      |
| 41651S-BH-1          | HARTFORD FINL SVCS GRP    |         | 07/20/2016    | WELLS FARGO SECURITIES LLC    |                           | 12,855,100  | 9,500,000  | 201,060                                 | 2FE                                      |

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Show All Long-Term Bonds and Stock Acquired During the Current Quarter

| 1                    | 2                                | 3       | 4             | 5                             | 6                         | 7           | 8          | 9                                       | 10                                       |
|----------------------|----------------------------------|---------|---------------|-------------------------------|---------------------------|-------------|------------|-----------------------------------------|------------------------------------------|
| CUSIP Identification | Description                      | Foreign | Date Acquired | Name of Vendor                | Number of Shares of Stock | Actual Cost | Par Value  | Paid for Accrued Interest and Dividends | NAIC Designation or Market Indicator (a) |
| 42800H-AQ-2          | HESS CORP                        |         | 09/28/2016    | WELLS FARGO SECURITIES LLC    |                           | 10,040,700  | 10,000,000 | 2,389                                   | 3FE                                      |
| 42800H-AQ-0          | HESS CORP                        |         | 09/19/2016    | J.P. MORGAN                   |                           | 10,988,650  | 11,000,000 |                                         | 3FE                                      |
| 42820C-AR-0          | HP ENTERPRISE CO                 |         | 07/20/2016    | J.P. MORGAN                   |                           | 5,158,100   | 5,000,000  | 88,134                                  | 2FE                                      |
| 437076-BP-6          | HOMER DEPOT INC                  |         | 09/09/2016    | VARIOUS                       |                           | 12,663,000  | 13,000,000 |                                         | 1FE                                      |
| 44421L-AA-0          | HY 2016-10HY A                   |         | 08/08/2016    | DEUTSCHE BANK                 |                           | 10,239,259  | 10,000,000 | 17,325                                  | 1FE                                      |
| 44421L-AE-2          | HY 2016-10HY B                   |         | 08/08/2016    | DEUTSCHE BANK                 |                           | 5,928,438   | 5,750,000  | 10,805                                  | 1FE                                      |
| 44421L-AG-7          | HY 2016-10HY C                   |         | 08/23/2016    | DEUTSCHE BANK                 |                           | 4,537,253   | 4,500,000  | 8,841                                   | 1FE                                      |
| 444454-AA-0          | HUGHES SATELLITE SYSTEMS         |         | 09/20/2016    | GOLDMAN SACHS                 |                           | 1,060,000   | 1,000,000  | 20,757                                  | 4FE                                      |
| 444454-AC-6          | HUGHES SATELLITE SYSTEMS         |         | 07/20/2016    | DEUTSCHE BANK                 |                           | 2,000,000   | 2,000,000  |                                         | 3FE                                      |
| 446150-AK-0          | HUNTINGTON BANCSHARES            |         | 08/04/2016    | GOLDMAN SACHS                 |                           | 14,977,350  | 15,000,000 |                                         | 2FE                                      |
| 44820E-AD-7          | HULST 2016-C A3                  |         | 08/09/2016    | SOCIETE GENERALE              |                           | 7,489,177   | 7,500,000  |                                         | 1FE                                      |
| 44820E-AE-5          | HULST 2016-C A4                  |         | 08/09/2016    | SOCIETE GENERALE              |                           | 4,999,357   | 5,000,000  |                                         | 1FE                                      |
| 457187-AB-8          | INGREDION INC                    |         | 09/15/2016    | BANK OF AMERICA               |                           | 9,985,700   | 10,000,000 |                                         | 2FE                                      |
| 460690-BL-3          | INTERPUBLIC GROUP COS            |         | 07/21/2016    | ROBERT W. BAIRD & CO, INC     |                           | 2,164,200   | 2,000,000  | 23,567                                  | 2FE                                      |
| 46623E-KG-3          | JPMORGAN CHASE & CO              |         | 08/11/2016    | J.P. MORGAN                   |                           | 36,663,170  | 36,500,000 | 16,065                                  | 1FE                                      |
| 466247-HE-6          | JPMINT 2004-A6 B1                |         | 09/29/2016    | JANNEY MONTGOMERY/SCOTT       |                           | 2,123,998   | 2,393,237  | 5,259                                   | 6FE                                      |
| 46825H-0H-3          | JPMORGAN CHASE & CO              |         | 09/09/2016    | J.P. MORGAN                   |                           | 4,104,640   | 4,000,000  | 62,700                                  | 1FE                                      |
| 46825H-RV-4          | JPMORGAN CHASE & CO              |         | 07/15/2016    | J.P. MORGAN                   |                           | 46,854,360  | 47,000,000 |                                         | 1FE                                      |
| 468313-AE-2          | JABIL CIRCUIT, INC               |         | 07/14/2016    | BANK OF AMERICA               |                           | 23,000,000  | 23,000,000 | 22                                      | 2Z                                       |
| 468465-AA-5          | JPMCC 2016-NINE A                |         | 09/12/2016    | J.P. MORGAN                   |                           | 12,246,086  | 12,000,000 | 23,784                                  | 1FE                                      |
| 477881-AC-2          | JDOT 2016-B A3                   |         | 07/19/2016    | RBC CAPITAL MARKETS           |                           | 4,989,602   | 5,000,000  |                                         | 1FE                                      |
| 482539-AA-1          | KLX INC                          |         | 09/09/2016    | MARKET AXESS                  |                           | 1,783,240   | 1,690,000  | 28,019                                  | 4FE                                      |
| 48327L-2A-1          | KEY BANK NA                      |         | 09/21/2016    | KEY BANK                      |                           | 7,026,950   | 7,000,000  | 17,646                                  | 1FE                                      |
| 48327L-2P-8          | KEY BANK NA                      |         | 08/18/2016    | VARIOUS                       |                           | 3,501,850   | 3,500,000  |                                         | 1FE                                      |
| 494468-AP-4          | KINCO REALTY CORP                |         | 08/09/2016    | BARCLAY'S                     |                           | 4,858,450   | 5,000,000  |                                         | 2FE                                      |
| 494500-AQ-9          | KINDER MORGAN ENER PART          |         | 07/07/2016    | FTN FINANCIAL SECURITIES CORP |                           | 2,563,111   | 2,225,000  | 66,324                                  | 2FE                                      |
| 494568-AE-1          | KINDER MORGAN INC/DELAWA         |         | 08/30/2016    | WELLS FARGO SECURITIES LLC    |                           | 3,085,740   | 3,000,000  | 23,129                                  | 2FE                                      |
| 494568-AH-4          | KINDER MORGAN INC/DELAWA         |         | 07/21/2016    | VARIOUS                       |                           | 15,823,850  | 15,000,000 | 108,688                                 | 2FE                                      |
| 494618-AG-9          | KINETIC CONCEPT/KCI USA          |         | 09/14/2016    | GOLDMAN SACHS                 |                           | 7,004,500   | 7,000,000  |                                         | 5FE                                      |
| 50077L-AK-2          | KRAFT HEINZ FOODS CO             |         | 08/04/2016    | BANK OF AMERICA               |                           | 7,351,877   | 6,678,000  | 17,585                                  | 2FE                                      |
| 501044-DE-8          | KROGER CO                        |         | 09/26/2016    | CITICORP SECURITIES           |                           | 4,983,800   | 5,000,000  |                                         | 2FE                                      |
| 501066-AA-0          | KRONOS ACQUISITION HLDI          |         | 09/27/2016    | BARCLAY'S                     |                           | 5,668,250   | 5,500,000  | 44,025                                  | 5FE                                      |
| 501081-AC-0          | KCOI 2016-1A A3                  |         | 07/12/2016    | J.P. MORGAN                   |                           | 7,024,063   | 7,000,000  |                                         | 1FE                                      |
| 501161-AB-1          | KCOI 2016-1A A2                  |         | 07/26/2016    | J.P. MORGAN                   |                           | 4,999,671   | 5,000,000  |                                         | 1FE                                      |
| 512807-AP-3          | LAW RESEARCH CORP                |         | 08/19/2016    | STIFEL NICOLAUS & COMPANY INC |                           | 4,164,320   | 4,000,000  | 33,367                                  | 2FE                                      |
| 538216-AG-1          | LION INDUSTRIAL PROPERTIES, LP   |         | 09/01/2016    | BANK OF AMERICA               |                           | 10,000,000  | 10,000,000 |                                         | 2Z                                       |
| 538830-BL-2          | LOCKHEED MARTIN CORP             |         | 07/19/2016    | RBS SECURITIES                |                           | 12,177,700  | 10,000,000 | 87,472                                  | 2FE                                      |
| 532383-AB-8          | MPH ACQUISITION HOLDINGS         |         | 08/15/2016    | GOLDMAN SACHS                 |                           | 4,557,000   | 4,200,000  | 59,019                                  | 5FE                                      |
| 537081-BA-9          | WATTEL INC                       |         | 08/02/2016    | BANK OF AMERICA               |                           | 4,894,100   | 5,000,000  |                                         | 2FE                                      |
| 537158-BN-7          | NETLIFE INC                      |         | 08/31/2016    | VARIOUS                       |                           | 10,049,725  | 10,000,000 | 5,625                                   | 1FE                                      |
| 552176-B5-7          | NET LIFE GLOB FUNDING I          |         | 09/08/2016    | BANK OF AMERICA               |                           | 4,997,650   | 5,000,000  |                                         | 1FE                                      |
| 61681B-AA-9          | NSCBB 2016-MART A                |         | 09/15/2016    | MORGAN STANLEY                |                           | 16,889,932  | 16,900,000 | 26,857                                  | 1FE                                      |
| 61681B-AG-6          | NSCBB 2016-MART B                |         | 09/15/2016    | MORGAN STANLEY                |                           | 6,999,972   | 7,000,000  | 12,537                                  | 1FE                                      |
| 61761J-3F-8          | MORGAN STANLEY                   |         | 09/27/2016    | VARIOUS                       |                           | 29,921,400  | 30,000,000 | 94,618                                  | 1FE                                      |
| 61767E-BA-8          | NSC 2016-1B11 A4                 |         | 08/23/2016    | VARIOUS                       |                           | 13,393,979  | 13,000,000 | 24,343                                  | 1FE                                      |
| 628530-AV-9          | WLAN INC                         |         | 07/18/2016    | BARCLAY'S                     |                           | 4,088,650   | 4,500,000  | 2,344                                   | 2FE                                      |
| 648025-C4-5          | NEW JERSEY RESOURCES CORP        |         | 08/18/2016    | US BANCORP INC                |                           | 10,000,000  | 10,000,000 |                                         | 1Z                                       |
| 651064-AH-4          | NOMIT 2006-1 H4                  |         | 08/29/2016    | KEY BANK                      |                           | 12,036,191  | 17,035,000 | 3,228                                   | 6FE                                      |
| 651229-AQ-9          | NEVEL BRANDS INC                 |         | 07/12/2016    | BANK OF AMERICA               |                           | 5,309,300   | 5,000,000  | 24,444                                  | 2FE                                      |
| 651229-AH-6          | NEVEL BRANDS INC                 |         | 07/13/2016    | CREDIT SUISSE FIRST BOSTON    |                           | 17,844,360  | 16,000,000 | 198,100                                 | 2FE                                      |
| 651229-AY-2          | NEVEL BRANDS INC                 |         | 07/13/2016    | GOLDMAN SACHS                 |                           | 7,551,350   | 6,000,000  | 99,000                                  | 2FE                                      |
| 66474V-AL-5          | NOCOT 2016-A A2                  |         | 07/12/2016    | BARCLAY'S                     |                           | 13,498,078  | 13,500,000 |                                         | 1FE                                      |
| 66477V-4D-6          | NALT 2016-B A3                   |         | 09/13/2016    | CITICORP SECURITIES           |                           | 12,908,922  | 13,000,000 |                                         | 1FE                                      |
| 668094-AK-4          | NOVARTIS CAPITAL CORP            |         | 09/15/2016    | MORGAN STANLEY                |                           | 5,419,500   | 5,000,000  | 66,667                                  | 1FE                                      |
| 670665-AD-6          | NVIDIA CORP                      |         | 09/13/2016    | VARIOUS                       |                           | 14,978,330  | 15,000,000 |                                         | 2FE                                      |
| 670666-AE-4          | NVIDIA CORP                      |         | 08/23/2016    | GOLDMAN SACHS                 |                           | 9,979,600   | 10,000,000 |                                         | 2FE                                      |
| 67103H-AE-7          | O'REILLY AUTOMOTIVE INC          |         | 08/23/2016    | CREDIT SUISSE FIRST BOSTON    |                           | 1,393,179   | 1,305,000  | 21,620                                  | 2FE                                      |
| 67773H-AJ-9          | OHIO VALLEY ELECTRIC CORPORATION |         | 08/25/2016    | STONECASTLE SECURITIES LLC    |                           | 5,114,706   | 4,752,340  | 125,781                                 | 2                                        |
| 67773H-AK-6          | OHIO VALLEY ELECTRIC CORPORATION |         | 08/25/2016    | VARIOUS                       |                           | 5,256,219   | 4,878,614  | 130,033                                 | 2                                        |
| 678858-BN-0          | OKLAHOMA GAS CO                  |         | 08/18/2016    | VARIOUS                       |                           | 5,857,250   | 5,500,000  | 59,150                                  | 1FE                                      |
| 68784U-AB-8          | OSCAR 2016-2A A2A                |         | 09/14/2016    | MIZUHO SECURITIES             |                           | 6,899,133   | 7,000,000  |                                         | 2FE                                      |
| 68832P-AL-7          | PL CAPITAL FUNDING INC           |         | 07/27/2016    | VARIOUS                       |                           | 7,810,762   | 7,000,000  | 48,205                                  | 2FE                                      |

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

| 1                    | 2                          | 3       | 4             | 5                              | 6                         | 7           | 8          | 9                                       | 10                                       |
|----------------------|----------------------------|---------|---------------|--------------------------------|---------------------------|-------------|------------|-----------------------------------------|------------------------------------------|
| CUSIP Identification | Description                | Foreign | Date Acquired | Name of Vendor                 | Number of Shares of Stock | Actual Cost | Par Value  | Paid for Accrued Interest and Dividends | NAIC Designation or Market Indicator (a) |
| 684308-HH-3          | PACIFIC GAS & ELECTRIC     |         | 09/28/2016    | VARIOUS                        |                           | 16,479,926  | 13,600,000 | 80,750                                  | 1E                                       |
| 785097-BG-6          | PLAINS ALL AMER PIPELINE   |         | 08/11/2016    | BARCLAY'S                      |                           | 3,006,030   | 3,000,000  | 13,217                                  | 2E                                       |
| 737406-AK-0          | PST HOLDINGS INC           |         | 07/25/2016    | BARCLAY'S                      |                           | 2,325,000   | 2,325,000  |                                         | 4E                                       |
| 743315-AR-4          | PROGRESSIVE CORP           |         | 08/22/2016    | CREDIT SUISSE FIRST BOSTON     |                           | 9,886,500   | 10,000,000 |                                         | 1E                                       |
| 743766-AC-2          | PROV ST JOSEPH HLTH ORL    |         | 09/20/2016    | BANK OF AMERICA                |                           | 20,000,000  | 20,000,000 |                                         | 1E                                       |
| 744332-CA-1          | PRUDENTIAL FINANCIAL INC   |         | 07/12/2016    | VARIOUS                        |                           | 10,846,750  | 10,000,000 | 76,667                                  | 2E                                       |
| 744560-BN-5          | PUBLIC SERVICE ELECTRIC    |         | 09/20/2016    | VARIOUS                        |                           | 8,590,091   | 7,643,000  | 124,651                                 | 1E                                       |
| 74834L-AY-6          | QUEST DIAGNOSTICS INC      |         | 07/25/2016    | BARCLAY'S                      |                           | 8,135,175   | 7,500,000  | 115,542                                 | 2E                                       |
| 75972A-AB-9          | RENEWABLE ENERGY GROUP INC | 03      | 07/11/2016    | EXCHANGE                       |                           | 1,828,588   | 1,820,000  | 8,207                                   | 4Z                                       |
| 761565-AG-5          | REX ENERGY CORP            |         | 07/13/2016    | VARIOUS                        |                           | 474,164     | 4,030,000  |                                         | 6Z                                       |
| 761713-BG-0          | REYNOLDS AMERICAN INC      |         | 07/21/2016    | CREDIT SUISSE FIRST BOSTON     |                           | 11,306,900  | 10,000,000 | 54,389                                  | 2E                                       |
| 764091-AK-0          | SIP GLOBAL INC             |         | 09/12/2016    | EXCHANGE                       |                           | 9,992,454   | 10,000,000 |                                         | 2E                                       |
| 764091-AL-8          | SIP GLOBAL INC             |         | 09/19/2016    | GOLDMAN SACHS                  |                           | 9,915,700   | 10,000,000 |                                         | 2E                                       |
| 805564-QL-8          | SAST 2004-2 MW2            |         | 09/13/2016    | JANNEY MONTGOMERY/SCOTT        |                           | 1,741,198   | 1,822,051  | 2,588                                   | 5E                                       |
| 842400-FZ-1          | SOUTHERN CAL EDISON        |         | 09/28/2016    | JEFFERIES & COMPANY, INC.      |                           | 12,308,000  | 10,000,000 | 231,208                                 | 1E                                       |
| 842387-CV-7          | SOUTHERN CO                |         | 08/10/2016    | BANK OF AMERICA                |                           | 5,232,500   | 5,000,000  | 36,563                                  | 2E                                       |
| 8426EP-CY-3          | SOUTHERN CO                |         | 08/10/2016    | BANK OF AMERICA                |                           | 16,438,550  | 15,000,000 | 148,500                                 | 2E                                       |
| 8426EP-AB-4          | SOUTHERN CO GAS CAPITAL    |         | 09/30/2016    | VARIOUS                        |                           | 13,781,723  | 13,750,000 | 8,833                                   | 2E                                       |
| 844895-AX-0          | SOUTHWEST GAS CORP         |         | 09/26/2016    | BANK OF AMERICA                |                           | 4,984,900   | 5,000,000  |                                         | 2E                                       |
| 845487-BP-6          | SOUTHWESTERN ELEC POWER    |         | 09/26/2016    | WELLS FARGO SECURITIES LLC     |                           | 9,989,600   | 10,000,000 |                                         | 2E                                       |
| 845743-BG-5          | SOUTHWESTERN PUBLIC SERV   |         | 08/05/2016    | MIZUHO SECURITIES              |                           | 9,983,100   | 10,000,000 |                                         | 1E                                       |
| 84611H-AF-8          | SUNRAV SELF STORAGE INC.   |         | 07/12/2016    | WELLS FARGO SECURITIES LLC     |                           | 20,000,000  | 20,000,000 |                                         | 2                                        |
| 84657L-AA*-2         | SPIRE INC.                 |         | 09/09/2016    | MORGAN STANLEY                 |                           | 5,000,000   | 5,000,000  |                                         | 2Z                                       |
| 84657L-AE-0          | STIEFEL FINANCIAL CORP     |         | 09/09/2016    | MORGAN STANLEY                 |                           | 7,000,000   | 7,000,000  |                                         | 2Z                                       |
| 860630-AD-4          | STIEFEL FINANCIAL CORP     |         | 08/08/2016    | VARIOUS                        |                           | 20,293,850  | 20,000,000 | 325,243                                 | 2E                                       |
| 863576-EN-2          | SUSC 2006-CMT A1           |         | 09/16/2016    | CITI CORP SECURITIES           |                           | 13,140,032  | 14,650,907 | 7,860                                   | 3E                                       |
| 867638-AT-6          | SUNOCO LOGISTICS PARTNER   |         | 07/07/2016    | VARIOUS                        |                           | 9,977,400   | 10,000,000 |                                         | 2E                                       |
| 871638-AL-7          | SYNCHRONY FINANCIAL        |         | 08/01/2016    | BANK OF AMERICA                |                           | 14,942,850  | 15,000,000 |                                         | 2E                                       |
| 872540-AQ-2          | TJX COS INC                |         | 09/07/2016    | DEUTSCHE BANK                  |                           | 24,813,500  | 25,000,000 |                                         | 1E                                       |
| 875127-BA-9          | TERREBO ELECTRIC CO        |         | 08/08/2016    | KEY BANK                       |                           | 5,336,000   | 5,000,000  | 31,889                                  | 2E                                       |
| 88150A-AC-7          | TERREBO REALTY LLC         |         | 07/07/2016    | KEY BANK                       |                           | 13,000,000  | 13,000,000 |                                         | 2Z                                       |
| 88578V-AH-1          | 3M COMPANY                 |         | 09/14/2016    | MORGAN STANLEY                 |                           | 14,301,450  | 15,000,000 |                                         | 1E                                       |
| 88732J-AL-2          | TIME WARNER CABLE LLC      |         | 09/20/2016    | MARKET AXESS                   |                           | 781,740     | 700,000    | 10,763                                  | 2E                                       |
| 89668E-AK-4          | TRISTATE GENERTRANS ASSN   |         | 09/12/2016    | JEFFERIES & COMPANY, INC.      |                           | 8,483,880   | 8,000,000  | 105,778                                 | 1E                                       |
| 896047-AH-0          | TRIBUNE MEDIA CO           |         | 09/09/2016    | MARKET AXESS                   |                           | 513,500     | 500,000    | 4,814                                   | 4E                                       |
| 904764-AU-1          | UNILEVER CAPITAL CORP      | E       | 07/25/2016    | J.P. MORGAN                    |                           | 14,782,550  | 15,000,000 |                                         | 1E                                       |
| 906548-CJ-9          | UNION ELECTRIC CO          |         | 09/14/2016    | STIEFEL NICOLAUS & COMPANY INC |                           | 5,335,450   | 5,000,000  | 2,167                                   | 1E                                       |
| 91159H-HN-3          | US BANCORP                 |         | 07/19/2016    | US BANCORP INC                 |                           | 9,938,800   | 10,000,000 |                                         | 1E                                       |
| 9185A*-AA-4          | VERIZON CTL-HIDDEN RIDGE   |         | 08/16/2016    | MESROW                         |                           | 26,500,000  | 26,500,000 |                                         | 2Z                                       |
| 92343I-DC-5          | VERIZON COMMUNICATIONS     |         | 07/27/2016    | GOLDMAN SACHS                  |                           | 27,985,160  | 28,000,000 |                                         | 2E                                       |
| 92343I-DC-3          | VERIZON COMMUNICATIONS     |         | 07/27/2016    | BANK OF AMERICA                |                           | 14,961,750  | 15,000,000 |                                         | 2E                                       |
| 92343V-DE-6          | VERIZON COMMUNICATIONS     |         | 07/27/2016    | DEUTSCHE BANK                  |                           | 4,978,200   | 5,000,000  |                                         | 2E                                       |
| 92347A-AA-4          | VZOT 2016-1A A             |         | 07/12/2016    | BANK OF AMERICA                |                           | 12,997,811  | 13,000,000 |                                         | 1E                                       |
| 92553P-BB-7          | VIAOM INC                  |         | 09/29/2016    | MORGAN STANLEY                 |                           | 4,574,050   | 5,000,000  |                                         | 2E                                       |
| 927804-FL-3          | VIRGINIA ELEC & POWER CO   |         | 09/09/2016    | MORGAN STANLEY                 |                           | 2,150,240   | 2,000,000  | 13,111                                  | 2E                                       |
| 927804-FR-0          | VIRGINIA ELEC & POWER CO   |         | 09/15/2016    | VARIOUS                        |                           | 8,033,931   | 7,586,000  | 32,733                                  | 1E                                       |
| 92867T-AC-9          | VIALET 2014-2 A3           |         | 07/26/2016    | MITSUBISHI SECURITIES          |                           | 5,125,027   | 5,140,881  | 1,221                                   | 1E                                       |
| 928370-AF-5          | WFBIS 2013-C13 A5          |         | 09/23/2016    | J.P. MORGAN                    |                           | 8,370,313   | 8,000,000  | 20,070                                  | 1E                                       |
| 931427-AQ-1          | WALGREENS BOOTS ALLIANCE   |         | 08/03/2016    | BARCLAY'S                      |                           | 10,371,700  | 10,000,000 | 64,208                                  | 2E                                       |
| 931427-AR-9          | WALGREENS BOOTS ALLIANCE   |         | 07/20/2016    | BARCLAY'S                      |                           | 5,844,650   | 5,000,000  | 34,875                                  | 2E                                       |
| 95000F-AT-3          | WFOH 2016-C35 A4           |         | 07/15/2016    | WELLS FARGO SECURITIES LLC     |                           | 7,724,940   | 7,500,000  | 16,487                                  | 1E                                       |
| 95000G-AV-0          | WESTAR ENERGY INC          |         | 08/04/2016    | WELLS FARGO SECURITIES LLC     |                           | 7,203,790   | 7,000,000  | 8,766                                   | 1E                                       |
| 95709T-AH-2          | WHL 2016-1A A2             |         | 09/14/2016    | BANK OF AMERICA                |                           | 6,763,184   | 6,170,000  | 78,668                                  | 1E                                       |
| 96328D-AT-1          | WILLIAMS PARTNERS LP       |         | 08/02/2016    | J.P. MORGAN                    |                           | 5,199,553   | 5,500,000  |                                         | 1E                                       |
| 96950F-AL-8          | WILLIAMS PARTNERS LP       |         | 07/13/2016    | BARCLAY'S                      |                           | 14,144,886  | 14,165,000 | 111,549                                 | 2E                                       |
| 96950F-AN-4          | WILLIAMS PARTNERS LP       |         | 09/15/2016    | VARIOUS                        |                           | 12,486,136  | 12,700,000 | 74,580                                  | 2E                                       |
| 96950F-AP-9          | WILLIAMS PARTNERS LP       |         | 08/09/2016    | BARCLAY'S                      |                           | 4,556,300   | 5,000,000  | 18,375                                  | 2E                                       |
| 983130-AV-7          | WYNN LAS VEGAS LLC/CORP    |         | 09/09/2016    | MARKET AXESS                   |                           | 2,529,500   | 2,500,000  | 4,965                                   | 3E                                       |
| LY1283-21-2          | BEERY PLASTICS LTD         |         | 08/02/2016    | CREDIT SUISSE FIRST BOSTON     |                           | 5,025,000   | 5,000,000  |                                         | 3E                                       |
| LY1283-46-8          | CHARTER COMMUNICATIONS TLF |         | 08/02/2016    | VARIOUS                        |                           | 8,020,000   | 8,000,000  |                                         | 3E                                       |
| LY1241-06-1          | GENERAC POWER SYSTEMS TLB  |         | 09/06/2016    | J.P. MORGAN                    |                           | 2,509,375   | 2,500,000  |                                         | 3E                                       |
| LY1231-28-6          | HAWAIIAN TELCOM TLB        |         | 09/01/2016    | CREDIT SUISSE FIRST BOSTON     |                           | 2,015,000   | 2,000,000  |                                         | 4E                                       |

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

| 1                    | 2                                      | 3       | 4             | 5                               | 6                         | 7           | 8          | 9                                       | 10                                       |
|----------------------|----------------------------------------|---------|---------------|---------------------------------|---------------------------|-------------|------------|-----------------------------------------|------------------------------------------|
| CUSIP Identification | Description                            | Foreign | Date Acquired | Name of Vendor                  | Number of Shares of Stock | Actual Cost | Par Value  | Paid for Accrued Interest and Dividends | NAIC Designation or Market Indicator (a) |
| LX1318-34-9          | REXPOD TLB                             |         | 08/02/2016    | VARIOUS                         |                           | 10,018,750  | 10,000,000 |                                         | 4FE                                      |
| LX1328-01-7          | HILTON WORLDWIDE TLB-1                 |         | 08/18/2016    | EXCHANGE                        |                           | 288,158     | 288,578    |                                         | 3FE                                      |
| LX1325-71-6          | HUB INTERNATIONAL LTD 1ST LIEN TL      |         | 09/12/2016    | MORGAN STANLEY                  |                           | 11,013,750  | 11,000,000 |                                         | 4FE                                      |
| LX1370-65-4          | ORTHO-CLINICAL DIAGNOSTICS TLB         |         | 08/01/2016    | BARCLAY'S                       |                           | 9,737,500   | 10,000,000 |                                         | 4FE                                      |
| LX1332-67-0          | HUNTSMAN 2014-1 ADDITIONAL TLB         |         | 08/01/2016    | J.P. MORGAN                     |                           | 3,011,250   | 3,000,000  |                                         | 3FE                                      |
| LX1400-73-3          | TECOMET INC 1ST LIEN                   |         | 08/02/2016    | CREDIT SUISSE FIRST BOSTON      |                           | 9,875,000   | 10,000,000 |                                         | 4FE                                      |
| LX1448-58-3          | BASS PRO GROUP TLB                     |         | 09/06/2016    | J.P. MORGAN                     |                           | 2,484,122   | 2,474,747  |                                         | 4FE                                      |
| LX1336-48-1          | CAMPING WORLD 1ST LIEN                 |         | 09/22/2016    | GOLDMAN SACHS                   |                           | 4,005,000   | 4,000,000  |                                         | 4FE                                      |
| LX1453-15-3          | T1 GROUP AUTO TLB                      | E       | 08/01/2016    | J.P. MORGAN                     |                           | 3,007,500   | 3,000,000  |                                         | 3FE                                      |
| LX1470-71-0          | US LHM TL 1ST LIEN                     |         | 08/02/2016    | CREDIT SUISSE FIRST BOSTON      |                           | 2,005,000   | 2,000,000  |                                         | 4FE                                      |
| LX1470-95-9          | KIK CUSTOM PRODUCTS TL                 | G       | 07/29/2016    | BARCLAY'S                       |                           | 2,000,000   | 2,000,000  |                                         | 4FE                                      |
| LX1500-43-3          | DELL TLB                               |         | 09/13/2016    | VARIOUS                         |                           | 8,045,000   | 8,000,000  |                                         | 2FE                                      |
| LX1551-23-8          | NEXSTAR TLB STRIP                      |         | 09/26/2016    | BANK OF AMERICA                 |                           | 4,579,432   | 4,590,909  |                                         | 3FE                                      |
| LX1520-78-7          | PRECISE ACQUISITION CORP TL            |         | 08/01/2016    | BARCLAY'S                       |                           | 2,025,000   | 2,000,000  |                                         | 4FE                                      |
| LX1523-98-9          | NBTY INC TLB                           |         | 08/01/2016    | VARIOUS                         |                           | 14,985,000  | 15,000,000 |                                         | 4FE                                      |
| LX1524-58-1          | ATI PHYSICAL THERAPY HOLDINGS, LLC TL  |         | 08/02/2016    | BARCLAY'S                       |                           | 3,030,000   | 3,000,000  |                                         | 4FE                                      |
| LX1527-62-6          | CBG HEALTHCARE SERVICES INC TLB        |         | 08/01/2016    | GOLDMAN SACHS                   |                           | 2,015,000   | 2,000,000  |                                         | 4FE                                      |
| LX1528-16-0          | STATION CASINOS TLB                    |         | 08/01/2016    | DEUTSCHE BANK                   |                           | 7,357,901   | 7,339,582  |                                         | 3FE                                      |
| LX1528-13-7          | YUM! BRANDS (KFC) TLB                  |         | 08/01/2016    | J.P. MORGAN                     |                           | 5,031,250   | 5,000,000  |                                         | 3FE                                      |
| LX1440-74-7          | ASPEN DENTAL MANAGEMENT INC TLB        |         | 08/01/2016    | RBC CAPITAL MARKETS             |                           | 2,015,000   | 2,000,000  |                                         | 4FE                                      |
| LX1523-28-3          | ALBERTSON'S LLC TLB-5                  |         | 08/01/2016    | CREDIT SUISSE FIRST BOSTON      |                           | 5,037,500   | 5,000,000  |                                         | 3FE                                      |
| LX1523-60-6          | PROSPCT MEDICAL HOLDINGS TLB           |         | 08/01/2016    | J.P. MORGAN                     |                           | 6,982,500   | 7,000,000  |                                         | 4FE                                      |
| LX1530-03-4          | HERTZ CORP TLB                         |         | 08/02/2016    | BARCLAY'S                       |                           | 3,022,500   | 3,000,000  |                                         | 3FE                                      |
| LX1507-37-0          | PETCO ANIMAL SUPPLIES TLB-2            |         | 07/29/2016    | CITICORP SECURITIES             |                           | 5,043,750   | 5,000,000  |                                         | 4FE                                      |
| LX1541-02-3          | CAVIUM TLB                             |         | 08/11/2016    | J.P. MORGAN                     |                           | 11,948,750  | 12,000,000 |                                         | 3FE                                      |
| LX1533-70-7          | US SECURITY ASSOCIATES                 |         | 07/07/2016    | GOLDMAN SACHS                   |                           | 7,920,000   | 8,000,000  |                                         | 4FE                                      |
| LX1538-16-9          | INHECO WORLDGROUP INC 1ST LIEN         |         | 08/01/2016    | GOLDMAN SACHS                   |                           | 4,012,500   | 4,000,000  |                                         | 4FE                                      |
| LX1538-87-0          | REYNOLDS TL 1ST LIEN                   | E       | 08/05/2016    | EXCHANGE                        |                           | 13,666,110  | 13,604,881 |                                         | 4FE                                      |
| LX1540-15-7          | SAPIRAY TLB                            |         | 08/04/2016    | MORGAN STANLEY                  |                           | 9,900,000   | 10,000,000 |                                         | 4FE                                      |
| LX1541-01-5          | GULF FINANCE LLC TLB                   |         | 09/12/2016    | MORGAN STANLEY                  |                           | 12,647,500  | 13,000,000 |                                         | 4FE                                      |
| LX1540-98-3          | LES LIES POLIUMAT SENIOR SEC TLB       |         | 09/13/2016    | NOMURA SECURITIES INTERNATIONAL |                           | 10,030,000  | 10,000,000 |                                         | 4FE                                      |
| LX1537-14-6          | TRADER TLB                             |         | 08/10/2016    | GOLDMAN SACHS                   |                           | 985,000     | 1,000,000  |                                         | 4FE                                      |
| LX1543-53-2          | INVENTIV HEALTH TLB                    |         | 09/29/2016    | GOLDMAN SACHS                   |                           | 2,985,000   | 3,000,000  |                                         | 4FE                                      |
| LX1542-39-3          | HILTON WORLDWIDE TLB2                  |         | 08/18/2016    | EXCHANGE                        |                           | 2,953,151   | 2,936,953  |                                         | 3FE                                      |
| LX1544-06-8          | ESH HOSPITALITY INC (EXTENDED STAY)TLB |         | 08/17/2016    | DEUTSCHE BANK                   |                           | 1,691,500   | 1,700,000  |                                         | 4FE                                      |
| LX1543-80-5          | DAYTON POWER & LIGHT CO TLB            |         | 08/24/2016    | MORGAN STANLEY                  |                           | 3,012,500   | 3,000,000  |                                         | 2FE                                      |
| LX1543-67-2          | Z160 TLD                               |         | 09/12/2016    | SCOTIA MOCDO                    |                           | 4,987,500   | 5,000,000  |                                         | 3FE                                      |
| LX1544-97-7          | BUILDERS FIRSTSOURCE TLB               |         | 08/22/2016    | EXCHANGE                        |                           | 6,202,383   | 6,248,974  |                                         | 4FE                                      |
| LX1544-67-0          | XPO LOGISTICS TLB2                     |         | 08/12/2016    | MORGAN STANLEY                  |                           | 3,980,000   | 4,000,000  |                                         | 3FE                                      |
| LX1545-38-8          | CHESAPEAKE ENERGY 1ST LIEN             |         | 09/12/2016    | CITICORP SECURITIES             |                           | 5,218,750   | 5,000,000  |                                         | 3FE                                      |
| LX1328-01-7          | HILTON WORLDWIDE TLB-1                 |         | 08/18/2016    | EXCHANGE                        |                           | 288,158     | 288,578    |                                         | 3FE                                      |
| LX1550-02-4          | THOMSON REUTERS IPAS (GAMBLGT) TL TL   |         | 09/16/2016    | CREDIT SUISSE FIRST BOSTON      |                           | 5,970,000   | 6,000,000  |                                         | 4FE                                      |
| LX1547-67-3          | DTI HOLDCO INC TLB                     |         | 09/23/2016    | BANK OF AMERICA                 |                           | 8,811,000   | 8,900,000  |                                         | 4FE                                      |
| LX1549-67-9          | COINSTAR LLC TLB                       |         | 09/26/2016    | BANK OF AMERICA                 |                           | 8,338,000   | 8,400,000  |                                         | 4FE                                      |
| LX1549-76-0          | MONITRONICS INTERNATIONAL INC TLB 2    |         | 09/22/2016    | BANK OF AMERICA                 |                           | 6,648,750   | 6,750,000  |                                         | 4FE                                      |
| LX1550-84-2          | LANDRY'S INC 1ST LIEN TL               |         | 09/21/2016    | JEFFERIES & COMPANY, INC.       |                           | 1,900,000   | 2,000,000  |                                         | 4FE                                      |
| LX1550-86-7          | INDUSTREAM SERVICES LLC TLB-6          |         | 09/19/2016    | J.P. MORGAN                     |                           | 500,000     | 500,000    |                                         | 4FE                                      |
| LX1442-79-2          | CONCENTRA TLB ADD-ON                   |         | 09/20/2016    | J.P. MORGAN                     |                           | 10,890,000  | 11,000,000 |                                         | 4FE                                      |
| LX1550-94-1          | DONNELLEY FINANCIAL SOLUTIONS INC TLB  |         | 09/26/2016    | J.P. MORGAN                     |                           | 10,945,000  | 11,000,000 |                                         | 3FE                                      |
| LX1551-85-7          | PRESS GANEY 1ST LIEN                   |         | 09/30/2016    | CREDIT SUISSE FIRST BOSTON      |                           | 4,975,000   | 5,000,000  |                                         | 4FE                                      |
| LX1551-45-1          | DOLLAR TREE TLB                        |         | 09/16/2016    | J.P. MORGAN                     |                           | 5,163,982   | 5,163,982  |                                         | 3FE                                      |
| LX1551-74-1          | ABC SUPPLY CO INC TLB                  |         | 09/23/2016    | DEUTSCHE BANK                   |                           | 5,071,429   | 5,071,429  |                                         | 4FE                                      |
| LX1336-48-1          | CAMPING WORLD 1ST LIEN ADD-ON          |         | 09/20/2016    | GOLDMAN SACHS                   |                           | 985,000     | 1,000,000  |                                         | 4FE                                      |
| LX1470-71-0          | US LHM 1ST LIEN TL ADD-ON              |         | 09/30/2016    | CREDIT SUISSE FIRST BOSTON      |                           | 997,500     | 1,000,000  |                                         | 4FE                                      |
| LX1538-87-0          | REYNOLDS TL 1ST LIEN ADD-ON            | E       | 09/29/2016    | CREDIT SUISSE FIRST BOSTON      |                           | 8,988,750   | 9,000,000  |                                         | 4FE                                      |
| GF0809-16-0          | NEXSTAR (MISSION) TLB STRIP            |         | 08/26/2016    | BANK OF AMERICA                 |                           | 408,068     | 499,081    |                                         | 3FE                                      |
|                      | NEPT EDDENDOR OPERATING LP             |         | 08/09/2016    | J.P. MORGAN                     |                           | 4,000,000   | 4,000,000  |                                         | 2Z                                       |
|                      | NEPT EDDENDOR OPERATING LP             |         | 08/09/2016    | J.P. MORGAN                     |                           | 1,000,000   | 1,000,000  |                                         | 2Z                                       |
| TD0927-16-1          | MARS INCORPORATED                      |         | 09/09/2016    | J.P. MORGAN                     |                           | 18,000,000  | 18,000,000 |                                         | 1FE                                      |
| 008311-42-2          | AIR CANADA                             | A       | 09/21/2016    | ROBERT W. BAIRD & CO. INC       |                           | 1,082,500   | 1,000,000  | 34,660                                  | 4FE                                      |
| 348553-4L-1          | FORTIS INC                             | A       | 09/29/2016    | GOLDMAN SACHS                   |                           | 15,000,000  | 15,000,000 |                                         | 2FE                                      |
| 380881-CP-5          | GCOT 2015-2A A                         | A       | 09/15/2016    | RBC CAPITAL MARKETS             |                           | 20,276,583  | 20,000,000 | 5,611                                   | 1FE                                      |

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

| 1                                                                        | 2                                        | 3       | 4             | 5                          | 6                         | 7             | 8             | 9                                       | 10                                       |
|--------------------------------------------------------------------------|------------------------------------------|---------|---------------|----------------------------|---------------------------|---------------|---------------|-----------------------------------------|------------------------------------------|
| CUSIP Identification                                                     | Description                              | Foreign | Date Acquired | Name of Vendor             | Number of Shares of Stock | Actual Cost   | Par Value     | Paid for Accrued Interest and Dividends | NAIC Designation or Market Indicator (a) |
| 380881-UN-9                                                              | GCT 2016-5A A                            | A       | 09/13/2016    | RBC CAPITAL MARKETS        |                           | 16,495,365    | 16,500,000    |                                         | 1E                                       |
| 59222-AR-5                                                               | MAGNA INTERNATIONAL INC                  | A       | 09/14/2016    | BANK OF AMERICA            |                           | 16,939,250    | 15,000,000    | 288,771                                 | 1E                                       |
| 89110-BN-7                                                               | TORONTO-DOMINION BANK                    | A       | 08/29/2016    | MORGAN STANLEY             |                           | 4,989,100     | 5,000,000     |                                         | 1E                                       |
| 89110-AL-9                                                               | TORONTO-DOMINION BANK                    | A       | 09/08/2016    | J.P. MORGAN                |                           | 4,891,250     | 5,000,000     |                                         | 1E                                       |
| LY1549-9A-3                                                              | AIR CANADA TLB                           | A       | 09/23/2016    | J.P. MORGAN                |                           | 6,169,000     | 6,200,000     |                                         | 3E                                       |
| 033290-AN-7                                                              | ANOC 2012-1A A2R                         | F       | 09/22/2016    | J.P. MORGAN                |                           | 7,000,000     | 7,000,000     |                                         | 1E                                       |
| 033290-AO-0                                                              | ANOC 2012-1A BR                          | F       | 09/22/2016    | J.P. MORGAN                |                           | 7,000,000     | 7,000,000     |                                         | 1E                                       |
| 046353-AO-3                                                              | ASTRAZENECA PLC                          | F       | 09/01/2016    | VARIOUS                    |                           | 12,846,600    | 12,000,000    | 206,667                                 | 1E                                       |
| 046353-AM-0                                                              | ASTRAZENECA PLC                          | F       | 07/06/2016    | CREDIT SUISSE FIRST BOSTON |                           | 2,247,320     | 2,000,000     | 13,368                                  | 1E                                       |
| BPB BULLION FIN USA LTD                                                  |                                          | F       | 07/20/2016    | RBC CAPITAL MARKETS        |                           | 3,293,508     | 2,800,000     | 44,722                                  | 1E                                       |
| 056650-DD-7                                                              | BP CAPITAL MARKETS PLC                   | F       | 09/13/2016    | VARIOUS                    |                           | 15,066,000    | 15,000,000    |                                         | 1E                                       |
| 06738E-AO-8                                                              | BARCLAYS PLC                             | F       | 09/03/2016    | BARCLAY'S                  |                           | 9,993,600     | 10,000,000    |                                         | 2E                                       |
| 09628H-AO-6                                                              | BLUEN 2016-2A A2                         | R       | 07/21/2016    | CITI CORP SECURITIES       |                           | 8,000,000     | 8,000,000     |                                         | 1E                                       |
| 09628H-AE-2                                                              | BLUEN 2016-2A B                          | R       | 07/21/2016    | CITI CORP SECURITIES       |                           | 8,000,000     | 8,000,000     |                                         | 1E                                       |
| 13876V-AC-9                                                              | CANVC 2016-2A B                          | F       | 08/08/2016    | J.P. MORGAN                |                           | 5,000,000     | 5,000,000     |                                         | 1E                                       |
| 2027AO-HY-8                                                              | COMMONWEALTH BANK AUST                   | F       | 08/29/2016    | GOLDMAN SACHS              |                           | 9,970,300     | 10,000,000    |                                         | 1E                                       |
| 21685H-JF-1                                                              | COOPERTIEVE RABOBANK UA                  | F       | 07/28/2016    | CREDIT SUISSE FIRST BOSTON |                           | 5,258,450     | 5,000,000     | 45,370                                  | 1E                                       |
| 22543B-AO-4                                                              | CRED SUIS GP FUN LTD                     | F       | 09/27/2016    | VARIOUS                    |                           | 25,620,665    | 24,500,000    | 378,851                                 | 2E                                       |
| 22546J-AD-9                                                              | CREDIT SUISSE NEW YORK                   | F       | 09/17/2016    | MARKET ACESS               |                           | 1,095,870     | 1,000,000     | 5,700                                   | 2E                                       |
| 25152R-SD-1                                                              | DEUTSCHE BANK AG                         | F       | 08/30/2016    | MARKET ACESS               |                           | 2,015,240     | 2,000,000     | 17,417                                  | 2E                                       |
| 25152P-AS-2                                                              | DEUTSCHE TELEKOM INT FIN                 | F       | 09/13/2016    | RBC CAPITAL MARKETS        |                           | 4,995,350     | 5,000,000     |                                         | 2E                                       |
| 30257H-AA-4                                                              | FAGE INTL / FAGE USA                     | F       | 07/27/2016    | CITI CORP SECURITIES       |                           | 1,000,000     | 1,000,000     |                                         | 2E                                       |
| 40414Z-AH-7                                                              | HBO'S PLC                                | F       | 09/14/2016    | VARIOUS                    |                           | 1,244,803     | 1,204,000     | 21,581                                  | 2E                                       |
| 404280-BF-5                                                              | HSC HOLDINGS PLC                         | F       | 09/28/2016    | HSC SECURITIES, INC.       |                           | 4,995,300     | 5,000,000     |                                         | 1E                                       |
| 44831N-AC-5                                                              | IGS 2016-1A A2                           | F       | 07/26/2016    | CITI CORP SECURITIES       |                           | 7,000,000     | 7,000,000     |                                         | 1E                                       |
| 44831N-AE-1                                                              | IGS 2016-1A B                            | F       | 07/26/2016    | CITI CORP SECURITIES       |                           | 6,000,000     | 6,000,000     |                                         | 1E                                       |
| 46116H-AJ-6                                                              | INTESA SANPAOLO SPA                      | F       | 08/02/2016    | J.P. MORGAN                |                           | 2,046,600     | 2,000,000     | 4,080                                   | 2E                                       |
| 46359C-AA-1                                                              | EUGENIUM CAPITAL EQUIPMENT               | F       | 08/01/2016    | GOLDMAN SACHS              |                           | 24,895,785    | 25,000,000    |                                         | 2E                                       |
| 47046J-AC-7                                                              | JFIN 2016-9A A2                          | F       | 08/11/2016    | CITI CORP SECURITIES       |                           | 13,600,000    | 13,600,000    |                                         | 1E                                       |
| 47046J-AE-3                                                              | JFIN 2016-9A B                           | F       | 08/11/2016    | CITI CORP SECURITIES       |                           | 5,200,000     | 5,200,000     |                                         | 1E                                       |
| 539439-AH-2                                                              | LLOYDS BANKING GROUP PLC                 | F       | 09/27/2016    | SANTANDER                  |                           | 8,895,110     | 8,600,000     | 120,405                                 | 2E                                       |
| 67591E-AC-7                                                              | OCT28 2016-1A B1                         | F       | 09/08/2016    | MORGAN STANLEY             |                           | 18,000,000    | 18,000,000    |                                         | 1E                                       |
| 71429H-AB-1                                                              | PERRIGO FINANCE UNLIMITE                 | R       | 09/10/2016    | CREDIT SUISSE FIRST BOSTON |                           | 10,632,500    | 10,000,000    | 188,368                                 | 2E                                       |
| 71654Q-AU-6                                                              | PETROLEOS MEXICANOS                      | F       | 08/11/2016    | VARIOUS                    |                           | 2,259,950     | 2,000,000     | 42,667                                  | 2E                                       |
| 767201-AK-2                                                              | RIO TINTO FIN USA LTD                    | F       | 09/21/2016    | SOCIETE GENERALE           |                           | 1,590,195     | 1,500,000     | 21,000                                  | 3E                                       |
| 780097-BD-2                                                              | ROYAL BK SCOTLAND GRP PLC                | F       | 09/07/2016    | BANK OF AMERICA            |                           | 9,997,000     | 10,000,000    |                                         | 3E                                       |
| 78467K-CH-2                                                              | SSE PLC                                  | F       | 09/06/2016    | ROYAL BANK OF SCOTLAND     |                           | 25,000,000    | 25,000,000    |                                         | 1                                        |
| 82481L-AB-5                                                              | SHIRE ACQ INV IRELAND DA                 | R       | 09/19/2016    | BARCLAY'S                  |                           | 9,989,200     | 10,000,000    |                                         | 2E                                       |
| 82481L-AD-1                                                              | SHIRE ACQ INV IRELAND DA                 | R       | 09/19/2016    | BARCLAY'S                  |                           | 14,882,150    | 15,000,000    |                                         | 2E                                       |
| 86360B-AN-2                                                              | SIEMSKA HANDELSBANKEN AB                 | F       | 08/30/2016    | DEUTSCHE BANK              |                           | 4,997,150     | 5,000,000     |                                         | 1E                                       |
| 88433B-AC-1                                                              | VINDOR 2016-2A B                         | F       | 09/27/2016    | MORGAN STANLEY             |                           | 8,500,000     | 8,500,000     |                                         | 1E                                       |
| 91911T-AH-6                                                              | VALE OVERSEAS LIMITED                    | F       | 09/08/2016    | BARCLAY'S                  |                           | 10,106,250    | 10,000,000    | 195,747                                 | 2E                                       |
| 91911T-AM-5                                                              | VALE OVERSEAS LIMITED                    | F       | 07/28/2016    | VARIOUS                    |                           | 12,538,750    | 13,000,000    | 21,989                                  | 2E                                       |
| 94949L-AE-0                                                              | WELF 2016-2A B                           | F       | 09/28/2016    | CITI CORP SECURITIES       |                           | 11,000,000    | 11,000,000    |                                         | 1E                                       |
| 99420E-AD-7                                                              | XLIT LTD                                 | F       | 08/11/2016    | URS SECURITIES             |                           | 4,484,880     | 4,500,000     | 33,500                                  | 2E                                       |
| BC0929-16-0                                                              | INTERMEDIATE CAPITAL GROUP PLC           | F       | 08/18/2016    | CITI CORP SECURITIES       |                           | 4,000,000     | 4,000,000     |                                         | 2E                                       |
| BC0929-61-6                                                              | INTERMEDIATE CAPITAL GROUP PLC           | F       | 08/18/2016    | CITI CORP SECURITIES       |                           | 8,000,000     | 8,000,000     |                                         | 2E                                       |
| LY1339-87-3                                                              | INTELSAT JACKSON TLB-2                   | F       | 08/01/2016    | BANK OF AMERICA            |                           | 13,370,000    | 14,000,000    |                                         | 4E                                       |
| LY1539-89-4                                                              | AVAGO TECHNOLOGIES TLB3                  | F       | 08/02/2016    | EXCHANGE                   |                           | 13,528,052    | 13,528,205    |                                         | 3E                                       |
| GZ7659-AA-0                                                              | DIONISUS AVIATION LIMITED                | F       | 08/02/2016    | CITI CORP SECURITIES       |                           | 15,000,000    | 15,000,000    |                                         | 2Z                                       |
| GZ7659-AB-8                                                              | DIONISUS AVIATION LIMITED                | F       | 08/02/2016    | CITI CORP SECURITIES       |                           | 8,000,000     | 8,000,000     |                                         | 2Z                                       |
| G9669H-AH-6                                                              | MEGITT PLC                               | R       | 07/06/2016    | BANK OF AMERICA            |                           | 15,000,000    | 15,000,000    |                                         | 2Z                                       |
| P0389H-AD-9                                                              | FORTIS TCI LIMITED                       | F       | 09/15/2016    | BANK OF AMERICA            |                           | 5,000,000     | 5,000,000     |                                         | 2E                                       |
| Q3915H-AC-4                                                              | FLETCHER BUILDING LIMITED                | F       | 07/20/2016    | BANK OF AMERICA            |                           | 9,000,000     | 9,000,000     |                                         | 2Z                                       |
| Q3915H-AD-2                                                              | NSH ELECTRICITY NETWORKS FINANCE PTY LTD | F       | 07/20/2016    | BANK OF AMERICA            |                           | 18,000,000    | 18,000,000    |                                         | 2Z                                       |
| Q05188-AA-0                                                              | STOCKLAND TRUST MANAGEMENT LIMITED       | F       | 09/16/2016    | J.P. MORGAN                |                           | 10,000,000    | 10,000,000    |                                         | 2E                                       |
| Q8773H-AJ-7                                                              | STOCKLAND TRUST MANAGEMENT LIMITED       | F       | 09/16/2016    | J.P. MORGAN                |                           | 17,000,000    | 17,000,000    |                                         | 1Z                                       |
| Q8773H-AK-4                                                              | STOCKLAND TRUST MANAGEMENT LIMITED       | F       | 09/16/2016    | J.P. MORGAN                |                           | 5,000,000     | 5,000,000     |                                         | 1Z                                       |
| TD0720-16-0                                                              | PORTERBROOK RAIL FINANCE LIMITED         | D       | 07/20/2016    | LLOYDS                     |                           | 22,077,000    | 19,455,000    |                                         | 2Z                                       |
| TP0921-16-7                                                              | LONDONMETRIC PROPERTY PLC                | D       | 09/21/2016    | ROYAL BANK OF SCOTLAND     |                           | 22,715,000    | 22,687,500    |                                         | 2Z                                       |
| 38999999. Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated) |                                          |         |               |                            |                           | 3,467,970,442 | 3,402,983,604 | 9,868,927                               | XXX                                      |
| 83999997. Total - Bonds - Part 3                                         |                                          |         |               |                            |                           | 4,876,570,157 | 4,777,308,605 | 13,893,372                              | XXX                                      |

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

| 1                                                                                  | 2                                      | 3       | 4             | 5                    | 6                         | 7           | 8             | 9                                       | 10                                       |
|------------------------------------------------------------------------------------|----------------------------------------|---------|---------------|----------------------|---------------------------|-------------|---------------|-----------------------------------------|------------------------------------------|
| CUSIP Identification                                                               | Description                            | Foreign | Date Acquired | Name of Vendor       | Number of Shares of Stock | Actual Cost | Par Value     | Paid for Accrued Interest and Dividends | NAIC Designation or Market Indicator (a) |
| 8399998. Total - Bonds - Part 5                                                    |                                        |         |               |                      |                           |             |               |                                         |                                          |
| 8399999. Total - Bonds                                                             |                                        |         |               |                      | 202,000,000               | 13,680,523  | 4,876,570,157 | 13,683,372                              | XXX                                      |
| 950400-20-3                                                                        | WELLS FARGO BANK, N.A. PREFERRED STOCK |         | 07/15/2016    | VARIOUS              |                           | 13,680,523  | 4,777,308,605 |                                         | XXX                                      |
| 8499999. Subtotal - Preferred Stocks - Industrial and Miscellaneous (Unaffiliated) |                                        |         |               |                      |                           |             |               |                                         |                                          |
| 8999997. Total - Preferred Stocks - Part 3                                         |                                        |         |               |                      |                           | 13,680,523  | XXX           |                                         | XXX                                      |
| 8999998. Total - Preferred Stocks - Part 5                                         |                                        |         |               |                      |                           |             |               |                                         |                                          |
| 8999999. Total - Preferred Stocks                                                  |                                        |         |               |                      |                           | 13,680,523  | XXX           | XXX                                     | XXX                                      |
| 012653-10-1                                                                        | ALBEMARLE CORP                         |         | 09/14/2016    | VEEDEN & CO LP       | 419,000                   | 31,731      |               |                                         | L                                        |
| 018802-10-8                                                                        | ALLIANT ENERGY CORP                    |         | 09/14/2016    | VEEDEN & CO LP       | 849,000                   | 31,897      |               |                                         | L                                        |
| 036752-10-3                                                                        | ANTHEM INC                             |         | 09/14/2016    | VEEDEN & CO LP       | 10,000                    | 1,233       |               |                                         | L                                        |
| 054937-10-7                                                                        | B&E CORPORATION                        |         | 09/14/2016    | VEEDEN & CO LP       | 25,000                    | 936         |               |                                         | L                                        |
| 058488-10-6                                                                        | BALL CORP                              |         | 09/14/2016    | VEEDEN & CO LP       | 123,000                   | 9,483       |               |                                         | L                                        |
| 071813-10-9                                                                        | BAXTER INTERNATIONAL INC               |         | 09/14/2016    | VEEDEN & CO LP       | 11,000                    | 500         |               |                                         | L                                        |
| 101137-10-7                                                                        | BAXTON SCIENTIFIC CORP                 |         | 09/14/2016    | VEEDEN & CO LP       | 18,000                    | 416         |               |                                         | L                                        |
| 127097-10-3                                                                        | CABOT OIL & GAS CORP CL A              |         | 09/14/2016    | VEEDEN & CO LP       | 21,000                    | 527         |               |                                         | L                                        |
| 156700-10-6                                                                        | CENTURYLINK INC                        |         | 09/14/2016    | VEEDEN & CO LP       | 11,000                    | 302         |               |                                         | L                                        |
| 161199-10-8                                                                        | CHARTER COMMUNICATIONS INC-A           |         | 09/14/2016    | VEEDEN & CO LP       | 808,000                   | 215,494     |               |                                         | L                                        |
| 165167-10-7                                                                        | CHESSPEAKE ENERGY                      |         | 09/14/2016    | VEEDEN & CO LP       | 280,000                   | 1,867       |               |                                         | L                                        |
| 169380-10-6                                                                        | CHINA BIOLOGIC PRODUCTS INC            |         | 08/17/2016    | DIRECT(1)            | 1,800,000                 | 228,582     |               |                                         | L                                        |
| 177376-10-0                                                                        | CITRIX SYSTEMS INC                     |         | 09/14/2016    | VEEDEN & CO LP       | 11,000                    | 916         |               |                                         | L                                        |
| 206099-10-1                                                                        | CMCO RESOURCES INC                     |         | 09/14/2016    | VEEDEN & CO LP       | 44,000                    | 5,432       |               |                                         | L                                        |
| 209115-10-4                                                                        | CONSOLIDATED EDISON INC                |         | 09/14/2016    | VEEDEN & CO LP       | 36,000                    | 2,669       |               |                                         | L                                        |
| 247001-10-3                                                                        | DELL TECHNOLOGIES INC                  |         | 09/07/2016    | MERGER               | 813,770                   | 39,061      |               |                                         | L                                        |
| 251704-10-3                                                                        | DEVON ENERGY CORP NEW                  |         | 09/14/2016    | VEEDEN & CO LP       | 46,000                    | 1,849       |               |                                         | L                                        |
| 257461-10-9                                                                        | DOMINION RESOURCES INC                 |         | 09/14/2016    | VEEDEN & CO LP       | 68,000                    | 5,018       |               |                                         | L                                        |
| 30303H-10-2                                                                        | FACEBOOK INC -A                        |         | 09/14/2016    | VEEDEN & CO LP       | 39,000                    | 4,983       |               |                                         | L                                        |
| 31620H-10-6                                                                        | FIDELITY NATIONAL INFORMATION SERVICES |         | 09/14/2016    | VEEDEN & CO LP       | 10,000                    | 761         |               |                                         | L                                        |
| 349591-10-8                                                                        | FORTIVE CORP                           |         | 07/05/2016    | SPINOFF              | 1,120,500                 | 40,286      |               |                                         | L                                        |
| 34964C-10-6                                                                        | FORTUNE BRANDS HOME & SECURITY INC     |         | 09/14/2016    | VEEDEN & CO LP       | 573,000                   | 32,953      |               |                                         | L                                        |
| 356710-65-7                                                                        | FREIGHT MCMURAN INC                    |         | 09/14/2016    | VEEDEN & CO LP       | 279,000                   | 2,737       |               |                                         | L                                        |
| 446150-10-4                                                                        | HANTINGTON BANCSHARES INC              |         | 09/14/2016    | VEEDEN & CO LP       | 1,077,000                 | 10,565      |               |                                         | L                                        |
| 493267-10-8                                                                        | KEYCORP                                |         | 09/14/2016    | VEEDEN & CO LP       | 916,000                   | 11,203      |               |                                         | L                                        |
| 494481-10-9                                                                        | KINDO REALTY CORP                      |         | 09/14/2016    | VEEDEN & CO LP       | 18,000                    | 516         |               |                                         | L                                        |
| 512807-10-8                                                                        | LAM RESEARCH CORP                      |         | 09/14/2016    | VEEDEN & CO LP       | 10,000                    | 916         |               |                                         | L                                        |
| 526057-10-4                                                                        | LENVIA CORP                            |         | 09/14/2016    | VEEDEN & CO LP       | 10,000                    | 448         |               |                                         | L                                        |
| 571903-20-2                                                                        | MARriott INTERNATIONAL INC             |         | 09/23/2016    | MERGER               | 499,200                   | 34,165      |               |                                         | L                                        |
| 582688-10-5                                                                        | METTLER-TOLEDO INTERNATIONAL INC       | F       | 09/14/2016    | VEEDEN & CO LP       | 100,000                   | 39,536      |               |                                         | L                                        |
| 651223-10-6                                                                        | NEWELL BRANDS, INC.                    |         | 09/14/2016    | VEEDEN & CO LP       | 91,000                    | 4,556       |               |                                         | L                                        |
| 66473P-10-5                                                                        | NISOURCE INC                           |         | 09/14/2016    | VEEDEN & CO LP       | 11,000                    | 258         |               |                                         | L                                        |
| 670866-10-4                                                                        | NODIA CORP                             |         | 09/30/2016    | CONVERSION           | 234,683,410               | 16,080,507  |               |                                         | L                                        |
| 680788-40-3                                                                        | OGE ENERGY INC                         |         | 09/14/2016    | VEEDEN & CO LP       | 10,000                    | 172         |               |                                         | L                                        |
| 739389-40-8                                                                        | POWERSHARES DB AGRICULTURE F           |         | 09/05/2016    | WALLACRETH CAPITAL   | 50,043,000                | 1,042,386   |               |                                         | L                                        |
| 739389-50-7                                                                        | POWERSHARES DB OIL FUND                |         | 08/05/2016    | WALLACRETH CAPITAL   | 151,558,000               | 1,217,011   |               |                                         | L                                        |
| 756109-10-4                                                                        | REALTY INCOME CORP                     |         | 09/14/2016    | VEEDEN & CO LP       | 24,000                    | 1,536       |               |                                         | L                                        |
| 79468L-30-2                                                                        | SALESFORCE.COM INC                     |         | 09/14/2016    | VEEDEN & CO LP       | 16,000                    | 1,181       |               |                                         | L                                        |
| 842387-10-7                                                                        | SOUTHERN CO                            |         | 09/14/2016    | VEEDEN & CO LP       | 86,000                    | 4,417       |               |                                         | L                                        |
| 845467-10-9                                                                        | SOUTHWESTERN ENERGY CO                 |         | 09/14/2016    | VEEDEN & CO LP       | 309,000                   | 4,295       |               |                                         | L                                        |
| 847580-10-9                                                                        | SPECTRA ENERGY CORP                    |         | 09/14/2016    | VEEDEN & CO LP       | 40,000                    | 1,678       |               |                                         | L                                        |
| 92494-10-3                                                                         | TYSON FOODS, INC.                      |         | 09/14/2016    | VEEDEN & CO LP       | 29,000                    | 2,120       |               |                                         | L                                        |
| 92276F-10-0                                                                        | VENTAS INC                             |         | 09/14/2016    | VEEDEN & CO LP       | 13,000                    | 879         |               |                                         | L                                        |
| 950400-10-4                                                                        | WELLS FARGO BANK, N.A.                 |         | 09/14/2016    | VEEDEN & CO LP       | 13,000                    | 956         |               |                                         | L                                        |
| 98569P-10-2                                                                        | ZIMMER BIOMET HOLDINGS, INC            |         | 09/14/2016    | VEEDEN & CO LP       | 83,000                    | 10,244      |               |                                         | L                                        |
| 97945H-10-7                                                                        | SEAGATE TECHNOLOGY                     |         | 09/14/2016    | VEEDEN & CO LP       | 10,000                    | 361         |               |                                         | L                                        |
| N94465-10-9                                                                        | WILAN INC                              |         | 09/14/2016    | VEEDEN & CO LP       | 140,000                   | 5,719       |               |                                         | L                                        |
| 95192-10-5                                                                         | JOHNSON CONTROLS INTERNATIONAL         | F       | 09/06/2016    | VARIOUS              | 3,550,300                 | 133,445     |               |                                         | L                                        |
| 9099999. Subtotal - Common Stocks - Industrial and Miscellaneous (Unaffiliated)    |                                        |         |               |                      |                           |             |               |                                         |                                          |
| 319983-10-2                                                                        | FIRST COMMONWEALTH                     |         | 07/31/2016    | CAPITAL CONTRIBUTION | 0.000                     | 2,938,402   | XXX           |                                         | XXX                                      |
| 9199999. Subtotal - Common Stocks - Parent, Subsidiaries and Affiliates            |                                        |         |               |                      |                           |             |               |                                         |                                          |
| 9799997. Total - Common Stocks - Part 3                                            |                                        |         |               |                      |                           | 22,227,115  | XXX           |                                         | XXX                                      |
| 9799998. Total - Common Stocks - Part 5                                            |                                        |         |               |                      |                           |             |               |                                         |                                          |

SCHEDULE D - PART 3

Show All Long-Term Bonds and Stock Acquired During the Current Quarter

| 1                                             | 2           | 3       | 4             | 5              | 6                         | 7             | 8         | 9                                       | 10                                       |
|-----------------------------------------------|-------------|---------|---------------|----------------|---------------------------|---------------|-----------|-----------------------------------------|------------------------------------------|
| CUSIP Identification                          | Description | Foreign | Date Acquired | Name of Vendor | Number of Shares of Stock | Actual Cost   | Par Value | Paid for Accrued Interest and Dividends | NAIC Designation or Market Indicator (a) |
| 9799999 - Total - Common Stocks               |             |         |               |                |                           | 22,227,115    | XXX       |                                         | XXX                                      |
| 9899999 - Total - Preferred and Common Stocks |             |         |               |                |                           | 35,907,638    | XXX       |                                         | XXX                                      |
| 9999999 - Totals                              |             |         |               |                |                           | 4,912,477,795 | XXX       | 13,689,372                              | XXX                                      |

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues .....1

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

| 1                                                                                              | 2                               | 3       | 4             | 5                            | 6                         | 7             | 8           | 9           | 10                                       | Change In Book/Adjusted Carrying Value    |                                            |                                                  |                                                              |                                                                | 16                                    | 17                                       | 18                               | 19                            | 20                                                  | 21                                 | 22                                       |
|------------------------------------------------------------------------------------------------|---------------------------------|---------|---------------|------------------------------|---------------------------|---------------|-------------|-------------|------------------------------------------|-------------------------------------------|--------------------------------------------|--------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------------|---------------------------------------|------------------------------------------|----------------------------------|-------------------------------|-----------------------------------------------------|------------------------------------|------------------------------------------|
|                                                                                                |                                 |         |               |                              |                           |               |             |             |                                          | 11                                        | 12                                         | 13                                               | 14                                                           | 15                                                             |                                       |                                          |                                  |                               |                                                     |                                    |                                          |
| CUSIP                                                                                          | Description                     | Foreign | Disposal Date | Name of Purchaser            | Number of Shares of Stock | Consideration | Par Value   | Actual Cost | Prior Year Book/ Adjusted Carrying Value | Unrealized Valuation Increase/ (Decrease) | Current Year's (Amor- tization)/ Accretion | Current Year's Temporary Impairment Recog- nized | Total Change In Book/ Adjusted Carrying Value (11 + 12 - 13) | Total Foreign Exchange Change In Book/ Adjusted Carrying Value | Book/ Carrying Value at Disposal Date | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Bond Interest/ Stock Dividends Received During Year | Stated Con- tractual Maturity Date | NAIC Designation or Market Indicator (a) |
| 36207E-NA-8                                                                                    | GN 6.00000 12/15/2033           |         | 09/01/2016    | MBS PAVOIN                   |                           | 58,341        | 58,341      | 61,212      | 58,242                                   |                                           | 99                                         |                                                  | 99                                                           |                                                                | 58,341                                |                                          |                                  | 3,803,889                     | 2,273                                               | 12/15/2033                         | 1                                        |
| 912810-FT-0                                                                                    | US TREASURY N/B                 |         | 09/08/2016    | VARIOUS                      |                           | 99,530,781    | 69,000,000  | 96,260,391  |                                          | (533,498)                                 |                                            |                                                  | (533,498)                                                    |                                                                | 95,726,893                            |                                          | 3,803,889                        | 3,016,243                     | 3,016,243                                           | 02/15/2036                         | 1                                        |
| 912810-RE-0                                                                                    | US TREASURY N/B                 |         | 09/29/2016    | GOLDMAN SACHS                |                           | 6,437,891     | 5,000,000   | 5,240,625   | 5,233,389                                | (3,854)                                   |                                            |                                                  | (3,854)                                                      |                                                                | 5,229,535                             |                                          | 1,208,355                        | 205,876                       | 205,876                                             | 02/15/2046                         | 1                                        |
| 912810-RG-5                                                                                    | US TREASURY N/B                 |         | 09/29/2016    | VARIOUS                      |                           | 28,070,391    | 23,000,000  | 23,775,375  | 23,754,239                               | (12,513)                                  |                                            |                                                  | (12,513)                                                     |                                                                | 23,741,725                            |                                          | 4,328,665                        | 677,385                       | 677,385                                             | 05/15/2044                         | 1                                        |
| 912810-RN-0                                                                                    | US TREASURY N/B                 |         | 09/21/2016    | UBS SECURITIES               |                           | 10,936,963    | 10,000,000  | 9,853,281   |                                          | 2,084                                     |                                            |                                                  | 2,084                                                        |                                                                | 9,861,366                             |                                          | 1,065,197                        | 316,406                       | 316,406                                             | 06/15/2045                         | 1                                        |
| 912810-PP-5                                                                                    | US TREASURY N/B                 |         | 07/20/2016    | VARIOUS                      |                           | 12,262,297    | 10,600,000  | 11,372,465  |                                          | (4,075)                                   |                                            |                                                  | (4,075)                                                      |                                                                | 11,368,389                            |                                          | 893,907                          | 215,299                       | 215,299                                             | 11/15/2045                         | 1                                        |
| 912810-PQ-3                                                                                    | US TREASURY N/B                 |         | 09/28/2016    | VARIOUS                      |                           | 362,863,013   | 246,988,000 | 345,631,108 |                                          | 18,646                                    |                                            |                                                  | 18,646                                                       |                                                                | 345,649,754                           |                                          | 17,213,258                       | 4,469,163                     | 4,469,163                                           | 02/15/2046                         | 1                                        |
| 912810-RS-9                                                                                    | US TREASURY N/B                 |         | 09/30/2016    | VARIOUS                      |                           | 183,500,865   | 177,420,000 | 177,329,275 |                                          | 7,199                                     |                                            |                                                  | 7,199                                                        |                                                                | 177,336,474                           |                                          | 6,164,221                        | 1,296,272                     | 1,296,272                                           | 05/15/2046                         | 1                                        |
| 912810-RT-7                                                                                    | US TREASURY N/B                 |         | 09/20/2016    | BARCLAY'S                    |                           | 2,896,641     | 3,000,000   | 2,875,664   |                                          | .42                                       |                                            |                                                  | .42                                                          |                                                                | 2,875,706                             |                                          | 20,935                           | 6,787                         | 6,787                                               | 08/15/2046                         | 1                                        |
| 912828-2A-7                                                                                    | US TREASURY N/B                 |         | 09/29/2016    | VARIOUS                      |                           | 224,263,631   | 227,400,000 | 224,824,006 |                                          | 4,054                                     |                                            |                                                  | 4,054                                                        |                                                                | 224,828,060                           |                                          | (564,429)                        | 309,277                       | 309,277                                             | 08/15/2046                         | 1                                        |
| 912828-2B-5                                                                                    | US TREASURY N/B                 |         | 09/30/2016    | GOLDMAN SACHS                |                           | 49,826,172    | 50,000,000  | 49,789,063  |                                          | 6,083                                     |                                            |                                                  | 6,083                                                        |                                                                | 49,795,146                            |                                          | 31,026                           | 49,932                        | 49,932                                              | 08/15/2019                         | 1                                        |
| 912828-2F-6                                                                                    | US TREASURY N/B                 |         | 09/23/2016    | VARIOUS                      |                           | 34,063,943    | 34,200,000  | 34,125,742  |                                          | 112                                       |                                            |                                                  | 112                                                          |                                                                | 34,125,854                            |                                          | (41,911)                         | 22,469                        | 22,469                                              | 06/31/2021                         | 1                                        |
| 912828-P4-6                                                                                    | US TREASURY N/B                 |         | 09/20/2016    | VARIOUS                      |                           | 51,558,959    | 51,300,000  | 50,436,601  |                                          | 21,943                                    |                                            |                                                  | 21,943                                                       |                                                                | 50,460,544                            |                                          | 1,098,415                        | 371,985                       | 371,985                                             | 02/15/2026                         | 1                                        |
| 912828-P8-7                                                                                    | US TREASURY N/B                 |         | 09/26/2016    | MORGAN STANLEY               |                           | 7,511,719     | 7,500,000   | 7,412,402   |                                          | 6,384                                     |                                            |                                                  | 6,384                                                        |                                                                | 7,418,787                             |                                          | 92,932                           | 49,879                        | 49,879                                              | 02/28/2021                         | 1                                        |
| 912828-Q3-7                                                                                    | US TREASURY N/B                 |         | 09/15/2016    | UBS SECURITIES               |                           | 4,074,908     | 4,080,000   | 4,054,291   |                                          | 439                                       |                                            |                                                  | 439                                                          |                                                                | 4,054,730                             |                                          | 20,178                           | 23,988                        | 23,988                                              | 03/31/2021                         | 1                                        |
| 912828-Q4-5                                                                                    | US TREASURY N/B                 |         | 09/19/2016    | VARIOUS                      |                           | 60,146,680    | 60,000,000  | 60,022,266  |                                          | (3,126)                                   |                                            |                                                  | (3,126)                                                      |                                                                | 60,019,140                            |                                          | 127,540                          | 191,855                       | 191,855                                             | 03/31/2018                         | 1                                        |
| 912828-R3-6                                                                                    | US TREASURY N/B                 |         | 09/29/2016    | VARIOUS                      |                           | 296,149,712   | 293,445,000 | 296,003,394 |                                          | (3,067)                                   |                                            |                                                  | (3,067)                                                      |                                                                | 296,000,327                           |                                          | 149,385                          | 952,938                       | 952,938                                             | 05/15/2026                         | 1                                        |
| 912828-R6-9                                                                                    | US TREASURY N/B                 |         | 07/27/2016    | VARIOUS                      |                           | 47,725,801    | 47,000,000  | 47,901,016  |                                          | (6,138)                                   |                                            |                                                  | (6,138)                                                      |                                                                | 47,894,877                            |                                          | (169,077)                        | 115,530                       | 115,530                                             | 05/31/2023                         | 1                                        |
| 912828-S2-7                                                                                    | US TREASURY N/B                 |         | 09/16/2016    | VARIOUS                      |                           | 24,384,016    | 24,360,000  | 24,421,812  |                                          | (215)                                     |                                            |                                                  | (215)                                                        |                                                                | 24,421,597                            |                                          | (37,581)                         | 27,302                        | 27,302                                              | 06/30/2021                         | 1                                        |
| 912828-S4-3                                                                                    | US TREASURY N/B                 |         | 09/16/2016    | BARCLAY'S                    |                           | 14,950,195    | 15,000,000  | 15,001,758  |                                          | (86)                                      |                                            |                                                  | (86)                                                         |                                                                | 15,001,672                            |                                          | (51,476)                         | 20,177                        | 20,177                                              | 07/15/2019                         | 1                                        |
| 912828-S7-6                                                                                    | US TREASURY N/B                 |         | 09/22/2016    | VARIOUS                      |                           | 9,963,477     | 10,000,000  | 10,039,453  |                                          | (989)                                     |                                            |                                                  | (989)                                                        |                                                                | 10,038,464                            |                                          | (74,987)                         | 14,980                        | 14,980                                              | 07/31/2021                         | 1                                        |
| 912828-T4-2                                                                                    | US TREASURY N/B                 |         | 09/30/2016    | BARCLAY'S                    |                           | 49,984,375    | 50,000,000  | 50,006,936  |                                          | (34)                                      |                                            |                                                  | (34)                                                         |                                                                | 50,006,902                            |                                          | (22,527)                         | 3,091                         | 3,091                                               | 09/30/2018                         | 1                                        |
| 912828-UR-9                                                                                    | US TREASURY N/B                 |         | 07/25/2016    | GOLDMAN SACHS                |                           | 3,001,289     | 3,000,000   | 2,993,066   |                                          | 1,194                                     |                                            |                                                  | 1,194                                                        |                                                                | 2,994,280                             |                                          | 7,009                            | 9,049                         | 9,049                                               | 02/28/2018                         | 1                                        |
| 05099999-Subtotal - Bonds - U.S. Governments                                                   |                                 |         |               |                              |                           |               |             |             |                                          |                                           |                                            |                                                  |                                                              |                                                                | 1,548,908,563                         |                                          | 35,262,924                       | 12,368,186                    | 12,368,186                                          | XXX                                | XXX                                      |
| 010800-AV-0                                                                                    | UNITED MEXICAN STATES           | F       | 08/15/2016    | VARIOUS                      |                           | 20,196,500    | 16,000,000  | 14,720,800  | 14,801,856                               |                                           | 8,118                                      |                                                  | 8,118                                                        |                                                                | 14,809,974                            |                                          | 5,386,526                        | 5,386,526                     | 1,033,878                                           | 01/11/2040                         | 2FE                                      |
| 10099999-Subtotal - Bonds - All Other Governments                                              |                                 |         |               |                              |                           |               |             |             |                                          |                                           |                                            |                                                  |                                                              |                                                                | 14,809,974                            |                                          | 5,386,526                        | 5,386,526                     | 1,033,878                                           | XXX                                | XXX                                      |
| 181070-CS-0                                                                                    | CLARK CNTY NV WTR RECLAMATION   |         | 09/22/2016    | JANNEY MONTGOMERY/SCOTT      |                           | 3,349,170     |             | 3,195,330   | 3,097,856                                |                                           | (19,686)                                   |                                                  | (19,686)                                                     |                                                                | 3,078,170                             |                                          | 271,000                          | 195,125                       | 195,125                                             | 07/01/2038                         | 1FE                                      |
| 64668L-9F-1                                                                                    | NEW YORK NV                     |         | 07/26/2016    | JANNEY MONTGOMERY/SCOTT      |                           | 3,481,207     | 3,100,000   | 3,129,728   |                                          | (402)                                     |                                            |                                                  | (402)                                                        |                                                                | 3,129,326                             |                                          | 351,881                          | 54,616                        | 54,616                                              | 04/01/2036                         | 1                                        |
| 64668L-8J-3                                                                                    | NEW YORK NV                     |         | 07/15/2016    | EXCHANGE                     |                           | 3,064,066     | 3,085,000   | 3,067,011   |                                          | (3,306)                                   |                                            |                                                  | (3,306)                                                      |                                                                | 3,063,704                             |                                          | 382                              | 382                           | 04/01/2036                                          | 1                                  |                                          |
| 64668M-DT-3                                                                                    | NEW YORK NV                     |         | 07/06/2016    | PIPER, JAFFRAY & HPIWOOD INC |                           | 6,048,723     | 5,345,000   | 5,440,247   |                                          | (2,410)                                   |                                            |                                                  | (2,410)                                                      |                                                                | 5,437,836                             |                                          | 610,866                          | 83,516                        | 83,516                                              | 04/01/2029                         | 1Z                                       |
| 24099999-Subtotal - Bonds - U.S. Political Subdivisions of States, Territories and Possessions |                                 |         |               |                              |                           |               |             |             |                                          |                                           |                                            |                                                  |                                                              |                                                                | 14,709,036                            |                                          | 1,234,149                        | 414,823                       | 414,823                                             | XXX                                | XXX                                      |
| 01F032-87-4                                                                                    | ENCL 3.500000 7/01/2046         |         | 07/12/2016    | BARCLAY'S                    |                           | 52,992,187    | 100,000,000 | 105,433,594 |                                          |                                           |                                            |                                                  |                                                              |                                                                | 52,808,594                            |                                          | 183,594                          | 183,594                       |                                                     | 07/01/2046                         | 1                                        |
| 01F032-88-2                                                                                    | ENCL 3.500000 8/01/2046         |         | 08/09/2016    | BARCLAY'S                    |                           | 52,621,094    |             |             |                                          |                                           |                                            |                                                  |                                                              |                                                                | 52,673,828                            |                                          | (52,735)                         | (52,735)                      |                                                     | 08/01/2046                         | 1                                        |
| 01F032-89-0                                                                                    | ENCL 3.500000 9/01/2046         |         | 08/08/2016    | BARCLAY'S                    |                           | 52,601,963    | 50,000,000  | 52,601,563  |                                          |                                           |                                            |                                                  |                                                              |                                                                | 52,601,563                            |                                          |                                  |                               |                                                     | 08/01/2046                         | 1                                        |
| 027650-KG-6                                                                                    | AMERICAN MINI PWR-OHIO INC OHR  |         | 08/25/2016    | KEY BANK                     |                           | 597,865       | 500,000     | 595,900     |                                          | (2,340)                                   |                                            |                                                  | (2,340)                                                      |                                                                | 593,560                               |                                          | 14,305                           | 7,969                         | 7,969                                               | 02/15/2046                         | 1FE                                      |
| 155408-BF-5                                                                                    | CENTRAL TX REGD MOBILITY AUTH R |         | 07/01/2016    | PRIOR YEAR INCOME            |                           | 956           |             |             | 959                                      |                                           | (2)                                        |                                                  | (2)                                                          |                                                                | 956                                   |                                          | 42                               | 8,333                         | 8,333                                               | 01/01/2046                         | 2FE                                      |
| 31283H-J8-1                                                                                    | FG 7.500000 2/1/2032            |         | 09/01/2016    | MBS PAVOIN                   |                           | 934           | 972         | 947         |                                          | (13)                                      |                                            |                                                  | (13)                                                         |                                                                | 934                                   |                                          | 35                               | 35                            | 01/01/2032                                          | 1                                  |                                          |
| 312870-7G-0                                                                                    | FG 6.500000 4/1/2032            |         | 09/01/2016    | MBS PAVOIN                   |                           | 50,531        | 1,876       | 1,965       |                                          | (3)                                       |                                            |                                                  | (3)                                                          |                                                                | 1,876                                 |                                          | 1,900                            | 82                            | 82                                                  | 06/01/2032                         | 1                                        |
| 31287U-AV-0                                                                                    | FG 7.500000 6/1/2032            |         | 09/01/2016    | MBS PAVOIN                   |                           | 1,328         | 1,528       | 1,601       |                                          | (64)                                      |                                            |                                                  | (64)                                                         |                                                                | 50,531                                |                                          | 1,900                            | 1,900                         | 06/01/2032                                          | 1                                  |                                          |
| 31287U-JL-5                                                                                    | FG 7.500000 6/1/2032            |         | 09/01/2016    | MBS PAVOIN                   |                           | 45            | 45          | 48          |                                          | 1                                         |                                            |                                                  | 1                                                            |                                                                | 45                                    |                                          | 68                               | 68                            | 06/01/2032                                          | 1                                  |                                          |
| 31287U-JN-3                                                                                    | FG 7.500000 6/1/2032            |         | 09/01/2016    | MBS PAVOIN                   |                           | 1,944         | 1,944       | 2,031       |                                          | (67)                                      |                                            |                                                  | (67)                                                         |                                                                | 1,944                                 |                                          | 74                               | 74                            | 12/01/2032                                          | 1                                  |                                          |
| 31288J-ZE-7                                                                                    | FG 6.500000 4/1/2033            |         | 09/01/2016    | MBS PAVOIN                   |                           | 4,111         | 4,111       | 4,283       |                                          | (2)                                       |                                            |                                                  | (2)                                                          |                                                                | 4,111                                 |                                          | 169                              | 169                           | 09/01/2038                                          | 1                                  |                                          |
| 31288J-ZU-3                                                                                    | FG 7.500000 9/1/2038            |         | 09/01/2016    | MBS PAVOIN                   |                           | 36            | 36          | 38          |                                          |                                           |                                            |                                                  |                                                              |                                                                | 36                                    |                                          | 6                                | 6                             | 02/01/2023                                          | 1                                  |                                          |
| 312923-GS-9                                                                                    | FG 7.500000 2/1/2033            |         | 09/01/2016    | MBS PAVOIN                   |                           | 147           | 147         | 154         |                                          | (33)                                      |                                            |                                                  | (33)                                                         |                                                                | 147                                   |                                          | 8,054                            | 8,054                         | 01/01/2032                                          | 1                                  |                                          |
| 31292H-PJ-7                                                                                    | FG 4.000000 1/1/2032            |         | 09/01/2016    | MBS PAVOIN                   |                           | 343,970       | 343,970     | 344,804     |                                          | (33)                                      |                                            |                                                  | (33)                                                         |                                                                | 343,970                               |                                          | 10,321                           | 10,321                        | 12/01/2040                                          | 1                                  |                                          |
| 31292K-6A-0                                                                                    | FG 4.000000 12/1/2040           |         | 09/01/2016    | MBS PAVOIN                   |                           | 382,611       | 382,611     | 400,726     |                                          |                                           |                                            |                                                  |                                                              |                                                                |                                       |                                          |                                  |                               |                                                     |                                    |                                          |



SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

| 1                    | 2                      | 3       | 4             | 5                 | 6                         | 7             | 8         | 9           | 10                                       | Change In Book/Adjusted Carrying Value    |                                            |                                                             |                                                              |                                                                | 16                                             | 17                                       | 18                               | 19                            | 20                                                  | 21                                 | 22                                        |   |
|----------------------|------------------------|---------|---------------|-------------------|---------------------------|---------------|-----------|-------------|------------------------------------------|-------------------------------------------|--------------------------------------------|-------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------------|------------------------------------------------|------------------------------------------|----------------------------------|-------------------------------|-----------------------------------------------------|------------------------------------|-------------------------------------------|---|
|                      |                        |         |               |                   |                           |               |           |             |                                          | 11                                        | 12                                         | 13                                                          | 14                                                           | 15                                                             |                                                |                                          |                                  |                               |                                                     |                                    |                                           |   |
| CUSIP Identification | Description            | Foreign | Disposal Date | Name of Purchaser | Number of Shares of Stock | Consideration | Par Value | Actual Cost | Prior Year Book/ Adjusted Carrying Value | Unrealized Valuation Increase/ (Decrease) | Current Year's (Amor- tization)/ Accretion | Current Year's Other Than Temporary Impairment Recog- nized | Total Change in Book/ Adjusted Carrying Value (11 + 12 - 13) | Total Foreign Exchange Change in Book/ Adjusted Carrying Value | Book/ Adjusted Carrying Value at Disposal Date | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Bond Interest/ Stock Dividends Received During Year | Stated Con- tractual Maturity Date | NAIC Design- nation or Market In- dicator |   |
| 318626-2H-9          | FN 9,750,000 8/1/2019  |         | 09/01/2016    | MBS PAYDOWN       |                           | 20            | .20       | .20         | .20                                      |                                           |                                            |                                                             |                                                              |                                                                | .20                                            |                                          |                                  |                               |                                                     | 1                                  | 08/01/2019                                | 1 |
| 31862A-CJ-7          | FN 9,750,000 6/1/2018  |         | 09/01/2016    | MBS PAYDOWN       |                           | 92            | .92       | .92         | .92                                      |                                           |                                            |                                                             |                                                              |                                                                | .92                                            |                                          |                                  |                               |                                                     | .5                                 | 06/01/2018                                | 1 |
| 318637-FB-1          | FN 6,640,000 3/1/2028  |         | 09/01/2016    | MBS PAYDOWN       |                           | 220           | .220      | .220        | .220                                     |                                           |                                            |                                                             |                                                              |                                                                | .220                                           |                                          |                                  |                               |                                                     | .9                                 | 03/01/2028                                | 1 |
| 318637-FH-8          | FN 6,640,000 7/1/2028  |         | 09/01/2016    | MBS PAYDOWN       |                           | 215           | .215      | .215        | .215                                     |                                           |                                            |                                                             |                                                              |                                                                | .215                                           |                                          |                                  |                               |                                                     | .8                                 | 07/01/2028                                | 1 |
| 318637-LJL-0         | FN 6,240,000 7/1/2029  |         | 09/01/2016    | MBS PAYDOWN       |                           | 202           | .202      | .202        | .202                                     |                                           |                                            |                                                             |                                                              |                                                                | .202                                           |                                          |                                  |                               |                                                     | .7                                 | 07/01/2029                                | 1 |
| 31863C-BZ-1          | FN 9,500,000 10/1/2019 |         | 09/01/2016    | MBS PAYDOWN       |                           | 29            | .29       | .29         | .29                                      |                                           |                                            |                                                             |                                                              |                                                                | .29                                            |                                          |                                  |                               |                                                     | .2                                 | 10/01/2019                                | 1 |
| 31863D-AY-5          | FN 8,250,000 11/1/2019 |         | 09/01/2016    | MBS PAYDOWN       |                           | 7             | .7        | .7          | .7                                       |                                           |                                            |                                                             |                                                              |                                                                | .7                                             |                                          |                                  |                               |                                                     |                                    | 11/01/2019                                | 1 |
| 318716-2I-5          | FN 7,000,000 8/1/2028  |         | 09/01/2016    | MBS PAYDOWN       |                           | 8,028         | 8,028     | 8,481       | 8,133                                    |                                           | (105)                                      |                                                             | (105)                                                        |                                                                | 8,028                                          |                                          |                                  |                               |                                                     | 304                                | 08/01/2028                                | 1 |
| 31871G-4I-4          | FN 7,000,000 9/1/2028  |         | 09/01/2016    | MBS PAYDOWN       |                           | 1,244         | 1,244     | 1,314       | 1,254                                    |                                           | (11)                                       |                                                             | (11)                                                         |                                                                | 1,244                                          |                                          |                                  |                               |                                                     | 50                                 | 09/01/2028                                | 1 |
| 31871H-BV-3          | FN 7,000,000 10/1/2028 |         | 09/01/2016    | MBS PAYDOWN       |                           | 12,516        | 12,516    | 13,222      | 12,588                                   |                                           | (72)                                       |                                                             | (72)                                                         |                                                                | 12,516                                         |                                          |                                  |                               |                                                     | 456                                | 10/01/2028                                | 1 |
| 31871H-D9-6          | FN 7,000,000 12/1/2028 |         | 09/01/2016    | MBS PAYDOWN       |                           | 1,189         | 1,189     | 1,266       | 1,202                                    |                                           | (3)                                        |                                                             | (3)                                                          |                                                                | 1,189                                          |                                          |                                  |                               |                                                     | 49                                 | 12/01/2028                                | 1 |
| 31871H-F2-9          | FN 7,000,000 12/1/2028 |         | 09/01/2016    | MBS PAYDOWN       |                           | 250           | .250      | .264        | .250                                     |                                           |                                            |                                                             |                                                              |                                                                | .250                                           |                                          |                                  |                               |                                                     | 10                                 | 12/01/2028                                | 1 |
| 31871H-HL-5          | FN 7,000,000 2/1/2029  |         | 09/01/2016    | MBS PAYDOWN       |                           | .761          | .761      | .803        | .760                                     |                                           |                                            |                                                             |                                                              |                                                                | .761                                           |                                          |                                  |                               |                                                     | 33                                 | 02/01/2029                                | 1 |
| 31871H-KX-5          | FN 7,000,000 3/1/2029  |         | 09/01/2016    | MBS PAYDOWN       |                           | 2,131         | 2,131     | 2,252       | 2,148                                    |                                           | (17)                                       |                                                             | (17)                                                         |                                                                | 2,131                                          |                                          |                                  |                               |                                                     | 87                                 | 03/01/2029                                | 1 |
| 31871H-PB-8          | FN 7,000,000 5/1/2029  |         | 09/01/2016    | MBS PAYDOWN       |                           | .660          | .660      | .698        | .665                                     |                                           | (4)                                        |                                                             | (4)                                                          |                                                                | .660                                           |                                          |                                  |                               |                                                     | 27                                 | 05/01/2029                                | 1 |
| 31871H-1B-8          | FN 7,500,000 10/1/2029 |         | 09/01/2016    | MBS PAYDOWN       |                           | 1,995         | 1,995     | 2,104       | 2,004                                    |                                           | (9)                                        |                                                             | (9)                                                          |                                                                | 1,995                                          |                                          |                                  |                               |                                                     | 81                                 | 10/01/2029                                | 1 |
| 31871K-BL-4          | FN 7,500,000 9/1/2031  |         | 09/01/2016    | MBS PAYDOWN       |                           | 162           | .162      | .171        | .162                                     |                                           | (1)                                        |                                                             | (1)                                                          |                                                                | .162                                           |                                          |                                  |                               |                                                     | 7                                  | 09/01/2031                                | 1 |
| 31871K-AJ-6          | FN 7,500,000 4/1/2032  |         | 09/01/2016    | MBS PAYDOWN       |                           | 635           | .635      | .680        | .637                                     |                                           | (2)                                        |                                                             | (2)                                                          |                                                                | .635                                           |                                          |                                  |                               |                                                     | 27                                 | 04/01/2032                                | 1 |
| 31871K-PB-8          | FN 7,000,000 6/1/2032  |         | 09/01/2016    | MBS PAYDOWN       |                           | 27,521        | 27,521    | 28,674      | 27,611                                   |                                           | (90)                                       |                                                             | (90)                                                         |                                                                | 27,521                                         |                                          |                                  |                               |                                                     | 1,150                              | 06/01/2032                                | 1 |
| 31871K-DE-4          | FN 7,000,000 5/1/2017  |         | 09/01/2016    | MBS PAYDOWN       |                           | 2,639         | 2,639     | 2,599       | 2,620                                    |                                           | .19                                        |                                                             | .19                                                          |                                                                | 2,639                                          |                                          |                                  |                               |                                                     | 107                                | 05/01/2017                                | 1 |
| 31871K-P4-5          | FN 7,000,000 8/1/2032  |         | 09/01/2016    | MBS PAYDOWN       |                           | 6,702         | 6,702     | 6,994       | 6,702                                    |                                           |                                            |                                                             |                                                              |                                                                | 6,702                                          |                                          |                                  |                               |                                                     | 264                                | 08/01/2032                                | 1 |
| 31872H-E5-9          | FN 7,000,000 2/1/2026  |         | 09/01/2016    | MBS PAYDOWN       |                           | .112          | .112      | .109        | .112                                     |                                           | 1                                          |                                                             | 1                                                            |                                                                | .112                                           |                                          |                                  |                               |                                                     | 5                                  | 02/01/2026                                | 1 |
| 31884H-K5-8          | FN 8,000,000 5/1/2031  |         | 09/01/2016    | MBS PAYDOWN       |                           | 2,446         | 2,446     | 2,446       | 2,446                                    |                                           |                                            |                                                             |                                                              |                                                                | 2,446                                          |                                          |                                  |                               |                                                     | 104                                | 05/01/2031                                | 1 |
| 31885H-XF-4          | FN 7,500,000 11/1/2031 |         | 09/01/2016    | MBS PAYDOWN       |                           | 69            | .69       | .72         | .69                                      |                                           | (1)                                        |                                                             | (1)                                                          |                                                                | .69                                            |                                          |                                  |                               |                                                     | 3                                  | 11/01/2031                                | 1 |
| 31885J-HA-9          | FN 7,000,000 6/1/2017  |         | 09/01/2016    | MBS PAYDOWN       |                           | 107           | .107      | .105        | .107                                     |                                           | (59)                                       |                                                             | (59)                                                         |                                                                | .107                                           |                                          |                                  |                               |                                                     | 258                                | 04/01/2018                                | 1 |
| 31885J-N9-4          | FN 6,500,000 4/1/2018  |         | 09/01/2016    | MBS PAYDOWN       |                           | 6,881         | 6,881     | 7,199       | 6,881                                    |                                           |                                            |                                                             |                                                              |                                                                | 6,881                                          |                                          |                                  |                               |                                                     | 25                                 | 09/01/2031                                | 1 |
| 31887X-2S-9          | FN 8,000,000 9/1/2031  |         | 09/01/2016    | MBS PAYDOWN       |                           | 532           | .532      | .533        | .532                                     |                                           |                                            |                                                             |                                                              |                                                                | .532                                           |                                          |                                  |                               |                                                     | 135                                | 09/01/2031                                | 1 |
| 31887X-6V-7          | FN 8,000,000 8/1/2031  |         | 09/01/2016    | MBS PAYDOWN       |                           | 2,910         | 2,910     | 2,911       | 2,910                                    |                                           |                                            |                                                             |                                                              |                                                                | 2,910                                          |                                          |                                  |                               |                                                     | 64                                 | 09/01/2031                                | 1 |
| 31888J-WB-2          | FN 8,000,000 9/1/2031  |         | 09/01/2016    | MBS PAYDOWN       |                           | 1,358         | 1,358     | 1,359       | 1,358                                    |                                           | (1)                                        |                                                             | (1)                                                          |                                                                | 1,358                                          |                                          |                                  |                               |                                                     | 17                                 | 07/01/2031                                | 1 |
| 31888J-VX-4          | FN 7,000,000 7/1/2029  |         | 09/01/2016    | MBS PAYDOWN       |                           | .412          | .412      | .435        | .412                                     |                                           |                                            |                                                             |                                                              |                                                                | .412                                           |                                          |                                  |                               |                                                     | 1,875                              | 12/01/2040                                | 1 |
| 31888J-J3-6          | FN 4,000,000 12/1/2040 |         | 09/01/2016    | MBS PAYDOWN       |                           | 80,394        | 80,394    | 85,714      | 80,566                                   |                                           | (462)                                      |                                                             | (462)                                                        |                                                                | 80,394                                         |                                          |                                  |                               |                                                     | 107                                | 01/01/2041                                | 1 |
| 31888A-WB-2          | FN 4,000,000 1/1/2041  |         | 09/01/2016    | MBS PAYDOWN       |                           | 4,574         | 4,574     | 4,877       | 4,480                                    |                                           | 94                                         |                                                             | 94                                                           |                                                                | 4,574                                          |                                          |                                  |                               |                                                     | 2,030                              | 02/01/2042                                | 1 |
| 31888G-WJ-3          | FN 3,500,000 2/1/2042  |         | 09/01/2016    | MBS PAYDOWN       |                           | 98,443        | 98,443    | 99,966      | 98,627                                   |                                           | (184)                                      |                                                             | (184)                                                        |                                                                | 98,443                                         |                                          |                                  |                               |                                                     | 6,007                              | 07/01/2042                                | 1 |
| 31888J-D9-8          | FN 3,500,000 7/1/2042  |         | 09/01/2016    | MBS PAYDOWN       |                           | 294,319       | 294,319   | 298,872     | 294,476                                  |                                           | (158)                                      |                                                             | (158)                                                        |                                                                | 294,319                                        |                                          |                                  |                               |                                                     | 26,507                             | 11/01/2044                                | 1 |
| 31888J-TK-4          | FN 3,500,000 8/1/2042  |         | 09/01/2016    | MBS PAYDOWN       |                           | 47,663        | 47,663    | 48,401      | 47,711                                   |                                           | (48)                                       |                                                             | (48)                                                         |                                                                | 47,663                                         |                                          |                                  |                               |                                                     | 99                                 | 07/01/2042                                | 1 |
| 31888P-MH-6          | FN 4,500,000 1/1/2044  |         | 09/01/2016    | MBS PAYDOWN       |                           | 979,787       | 979,787   | 1,056,529   | 1,006,765                                |                                           | (26,978)                                   |                                                             | (26,978)                                                     |                                                                | 979,787                                        |                                          |                                  |                               |                                                     | 235                                | 07/01/2042                                | 1 |
| 31888J-VL-6          | FN 3,500,000 7/1/2042  |         | 09/01/2016    | MBS PAYDOWN       |                           | 4,828         | 4,828     | 4,902       | 4,839                                    |                                           | (12)                                       |                                                             | (12)                                                         |                                                                | 4,828                                          |                                          |                                  |                               |                                                     | 111                                | 08/01/2042                                | 1 |
| 31888J-DV-0          | FN 3,500,000 7/1/2042  |         | 09/01/2016    | MBS PAYDOWN       |                           | 11,876        | 11,876    | 12,059      | 11,579                                   |                                           | (3)                                        |                                                             | (3)                                                          |                                                                | 11,876                                         |                                          |                                  |                               |                                                     | 193                                | 11/01/2042                                | 1 |
| 31888J-3B-3          | FN 4,000,000 8/1/2042  |         | 09/01/2016    | MBS PAYDOWN       |                           | 4,752         | 4,752     | 5,067       | 4,727                                    |                                           | 26                                         |                                                             | 26                                                           |                                                                | 4,752                                          |                                          |                                  |                               |                                                     | 235                                | 11/01/2042                                | 1 |
| 31888J-PP-0          | FN 3,500,000 1/1/2042  |         | 09/01/2016    | MBS PAYDOWN       |                           | 9,455         | 9,455     | 9,602       | 9,472                                    |                                           | (17)                                       |                                                             | (17)                                                         |                                                                | 9,455                                          |                                          |                                  |                               |                                                     | 806                                | 12/01/2042                                | 1 |
| 31888J-7G-8          | FN 3,500,000 11/1/2042 |         | 09/01/2016    | MBS PAYDOWN       |                           | 11,344        | 11,344    | 11,519      | 11,350                                   |                                           | (6)                                        |                                                             | (6)                                                          |                                                                | 11,344                                         |                                          |                                  |                               |                                                     | 439                                | 08/01/2043                                | 1 |
| 31888J-B4-5          | FN 3,500,000 12/1/2042 |         | 09/01/2016    | MBS PAYDOWN       |                           | 37,916        | 37,916    | 38,503      | 38,016                                   |                                           | (100)                                      |                                                             | (100)                                                        |                                                                | 37,916                                         |                                          |                                  |                               |                                                     | 2,193                              | 02/01/2043                                | 1 |
| 31888G-BL-0          | FN 3,000,000 8/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 25,038        | 25,038    | 24,504      | 24,903                                   |                                           | 136                                        |                                                             | 136                                                          |                                                                | 25,038                                         |                                          |                                  |                               |                                                     | 3,793                              | 05/01/2043                                | 1 |
| 31888J-QH-9          | FN 3,500,000 2/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 106,509       | 106,509   | 108,157     | 106,915                                  |                                           | (405)                                      |                                                             | (405)                                                        |                                                                | 106,509                                        |                                          |                                  |                               |                                                     | 1,867                              | 10/01/2043                                | 1 |
| 31888J-GB-6          | FN 3,500,000 5/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 213,534       | 213,534   | 207,970     | 212,986                                  |                                           | 549                                        |                                                             | 549                                                          |                                                                | 213,534                                        |                                          |                                  |                               |                                                     | 2,988                              | 08/01/2043                                | 1 |
| 31888J-SS-9          | FN 3,500,000 4/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 69,735        | 69,735    | 67,928      | 69,647                                   |                                           | .88                                        |                                                             | .88                                                          |                                                                | 69,735                                         |                                          |                                  |                               |                                                     | 1,228                              | 04/01/2043                                | 1 |
| 31888J-WJ-0          | FN 3,500,000 6/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 4,185         | 4,185     | 4,250       | 4,186                                    |                                           |                                            |                                                             |                                                              |                                                                | 4,185                                          |                                          |                                  |                               |                                                     | 85                                 | 06/01/2043                                | 1 |
| 31888J-2S-4          | FN 3,500,000 10/1/2043 |         |               |                   |                           |               |           |             |                                          |                                           |                                            |                                                             |                                                              |                                                                |                                                |                                          |                                  |                               |                                                     |                                    |                                           |   |

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

| 1                    | 2                    | 3       | 4             | 5                 | 6                         | 7             | 8         | 9           | 10                                       | Change In Book/Adjusted Carrying Value    |                                            |                                                    |                                                              |                                                                | 16                                             | 17                                       | 18                               | 19                            | 20                                                  | 21                               | 22                                       |   |
|----------------------|----------------------|---------|---------------|-------------------|---------------------------|---------------|-----------|-------------|------------------------------------------|-------------------------------------------|--------------------------------------------|----------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------------|------------------------------------------------|------------------------------------------|----------------------------------|-------------------------------|-----------------------------------------------------|----------------------------------|------------------------------------------|---|
|                      |                      |         |               |                   |                           |               |           |             |                                          | 11                                        | 12                                         | 13                                                 | 14                                                           | 15                                                             |                                                |                                          |                                  |                               |                                                     |                                  |                                          |   |
| CUSIP Identification | Description          | Foreign | Disposal Date | Name of Purchaser | Number of Shares of Stock | Consideration | Par Value | Actual Cost | Prior Year Book/ Adjusted Carrying Value | Unrealized Valuation Increase/ (Decrease) | Current Year's (Amor- tization)/ Accretion | Current Other Than Temporary Impairment Recognized | Total Change in Book/ Adjusted Carrying Value (11 + 12 - 13) | Total Foreign Exchange Change in Book/ Adjusted Carrying Value | Book/ Adjusted Carrying Value at Disposal Date | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Bond Interest/ Stock Dividends Received During Year | Stated Contractual Maturity Date | NAIC Designation or Market Indicator (a) |   |
| 31380D-Y8-8          | FN 3.00000 1/1/2045  |         | 09/01/2016    | MBS PAYDOWN       |                           | 52,730        | 52,730    | 51,485      | 52,492                                   |                                           | 238                                        |                                                    | 238                                                          |                                                                | 52,730                                         |                                          |                                  |                               |                                                     | 390                              | 01/01/2045                               | 1 |
| 31380D-Y9-6          | FN 3.00000 1/1/2045  |         | 09/01/2016    | MBS PAYDOWN       |                           | 82,102        | 82,102    | 80,164      | 81,757                                   |                                           | 344                                        |                                                    | 344                                                          |                                                                | 82,102                                         |                                          |                                  |                               |                                                     | 1,449                            | 01/01/2045                               | 1 |
| 31380E-XS-7          | FN 3.50000 4/1/2045  |         | 09/01/2016    | MBS PAYDOWN       |                           | 2,491,776     | 2,491,776 | 2,613,834   | 2,527,033                                |                                           | (35,257)                                   |                                                    | (35,257)                                                     |                                                                | 2,491,776                                      |                                          |                                  |                               |                                                     | 50,575                           | 04/01/2045                               | 1 |
| 31380E-Q3-6          | FN 3.00000 5/1/2045  |         | 09/01/2016    | MBS PAYDOWN       |                           | 23,236        | 23,236    | 22,634      | 23,138                                   |                                           | 98                                         |                                                    | 98                                                           |                                                                | 23,236                                         |                                          |                                  |                               |                                                     | 413                              | 05/01/2045                               | 1 |
| 31380F-D8-6          | FN 3.50000 7/1/2045  |         | 09/01/2016    | MBS PAYDOWN       |                           | 491,687       | 491,687   | 515,771     | 493,392                                  |                                           | (1,705)                                    |                                                    | (1,705)                                                      |                                                                | 491,687                                        |                                          |                                  |                               |                                                     | 10,479                           | 07/01/2045                               | 1 |
| 31380F-WF-2          | FN 3.50000 8/1/2045  |         | 09/01/2016    | MBS PAYDOWN       |                           | 36,145        | 36,145    | 35,209      | 36,108                                   |                                           | 36                                         |                                                    | 36                                                           |                                                                | 36,145                                         |                                          |                                  |                               |                                                     | 651                              | 08/01/2045                               | 1 |
| 31380F-LC-8          | FN 3.50000 9/1/2045  |         | 09/01/2016    | MBS PAYDOWN       |                           | 1,813,070     | 1,813,070 | 1,892,172   | 597,153                                  |                                           | (7,369)                                    |                                                    | (7,369)                                                      |                                                                | 1,813,070                                      |                                          |                                  |                               |                                                     | 34,781                           | 09/01/2045                               | 1 |
| 31380M-SR-3          | FN 3.00000 8/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 263,945       | 263,945   | 257,066     | 263,428                                  |                                           | 516                                        |                                                    | 516                                                          |                                                                | 263,945                                        |                                          |                                  |                               |                                                     | 4,631                            | 08/01/2043                               | 1 |
| 31380P-LH-5          | FN 3.00000 4/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 172,704       | 172,704   | 168,203     | 172,450                                  |                                           | 274                                        |                                                    | 274                                                          |                                                                | 172,704                                        |                                          |                                  |                               |                                                     | 2,961                            | 04/01/2043                               | 1 |
| 31380V-BK-6          | FN 3.00000 8/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 252,135       | 252,135   | 245,584     | 250,844                                  |                                           | 1,290                                      |                                                    | 1,290                                                        |                                                                | 252,135                                        |                                          |                                  |                               |                                                     | 4,189                            | 08/01/2043                               | 1 |
| 31380O-Q3-9          | FN 3.00000 8/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 26,440        | 26,440    | 25,751      | 26,406                                   |                                           | 33                                         |                                                    | 33                                                           |                                                                | 26,440                                         |                                          |                                  |                               |                                                     | 465                              | 08/01/2043                               | 1 |
| 31380O-Y3-6          | FN 3.00000 7/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 498,037       | 498,037   | 485,127     | 497,089                                  |                                           | 948                                        |                                                    | 948                                                          |                                                                | 498,037                                        |                                          |                                  |                               |                                                     | 9,090                            | 07/01/2043                               | 1 |
| 31380O-Y9-3          | FN 3.50000 7/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 149,225       | 149,225   | 150,601     | 149,339                                  |                                           | (113)                                      |                                                    | (113)                                                        |                                                                | 149,225                                        |                                          |                                  |                               |                                                     | 3,099                            | 07/01/2043                               | 1 |
| 31380O-ZA-9          | FN 3.50000 7/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 38,824        | 38,824    | 39,424      | 38,880                                   |                                           | (56)                                       |                                                    | (56)                                                         |                                                                | 38,824                                         |                                          |                                  |                               |                                                     | 804                              | 07/01/2043                               | 1 |
| 31380J-AR-7          | FN 3.00000 8/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 18,731        | 18,731    | 18,243      | 18,680                                   |                                           | 41                                         |                                                    | 41                                                           |                                                                | 18,731                                         |                                          |                                  |                               |                                                     | 331                              | 08/01/2043                               | 1 |
| 31380I-HH-4          | FN 3.00000 7/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 251,903       | 251,903   | 245,339     | 251,970                                  |                                           | (66)                                       |                                                    | (66)                                                         |                                                                | 251,903                                        |                                          |                                  |                               |                                                     | 4,602                            | 07/01/2043                               | 1 |
| 31380Z-HR-7          | FN 3.00000 8/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 130,350       | 130,350   | 126,953     | 130,233                                  |                                           | 117                                        |                                                    | 117                                                          |                                                                | 130,350                                        |                                          |                                  |                               |                                                     | 2,287                            | 08/01/2043                               | 1 |
| 31380Z-TY-5          | FN 3.50000 8/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 17,394        | 17,394    | 17,691      | 17,466                                   |                                           | (72)                                       |                                                    | (72)                                                         |                                                                | 17,394                                         |                                          |                                  |                               |                                                     | 375                              | 08/01/2043                               | 1 |
| 31380Z-TY-0          | FN 3.00000 8/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 463,470       | 463,470   | 451,392     | 462,363                                  |                                           | 1,107                                      |                                                    | 1,107                                                        |                                                                | 463,470                                        |                                          |                                  |                               |                                                     | 8,838                            | 08/01/2043                               | 1 |
| 31380X-GV-8          | FN 3.00000 8/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 14,631        | 14,631    | 14,252      | 14,575                                   |                                           | 56                                         |                                                    | 56                                                           |                                                                | 14,631                                         |                                          |                                  |                               |                                                     | 262                              | 08/01/2043                               | 1 |
| 31380X-L7-5          | FN 3.00000 8/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 138,775       | 138,775   | 135,159     | 138,988                                  |                                           | 387                                        |                                                    | 387                                                          |                                                                | 138,775                                        |                                          |                                  |                               |                                                     | 2,541                            | 08/01/2043                               | 1 |
| 31380X-YK-2          | FN 3.00000 8/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 179,326       | 179,326   | 174,653     | 179,201                                  |                                           | 125                                        |                                                    | 125                                                          |                                                                | 179,326                                        |                                          |                                  |                               |                                                     | 2,770                            | 08/01/2043                               | 1 |
| 31380S-JZ-1          | FN 3.00000 9/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 170,082       | 170,082   | 165,650     | 169,815                                  |                                           | 267                                        |                                                    | 267                                                          |                                                                | 170,082                                        |                                          |                                  |                               |                                                     | 3,303                            | 09/01/2043                               | 1 |
| 31380S-S5-3          | FN 3.00000 9/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 126,581       | 126,581   | 123,282     | 126,404                                  |                                           | 177                                        |                                                    | 177                                                          |                                                                | 126,581                                        |                                          |                                  |                               |                                                     | 2,141                            | 09/01/2043                               | 1 |
| 31380E-PV-1          | FN 3.00000 10/1/2043 |         | 09/01/2016    | MBS PAYDOWN       |                           | 108,031       | 108,031   | 105,215     | 107,899                                  |                                           | 132                                        |                                                    | 132                                                          |                                                                | 108,031                                        |                                          |                                  |                               |                                                     | 1,814                            | 10/01/2043                               | 1 |
| 31380T-W3-3          | FN 3.00000 9/1/2043  |         | 09/01/2016    | MBS PAYDOWN       |                           | 122,241       | 122,241   | 119,055     | 121,460                                  |                                           | 781                                        |                                                    | 781                                                          |                                                                | 122,241                                        |                                          |                                  |                               |                                                     | 2,375                            | 09/01/2043                               | 1 |
| 31380H-MC-2          | FN 3.50000 12/1/2043 |         | 09/01/2016    | MBS PAYDOWN       |                           | 8,418         | 8,418     | 8,548       | 8,444                                    |                                           | (26)                                       |                                                    | (26)                                                         |                                                                | 8,418                                          |                                          |                                  |                               |                                                     | 172                              | 12/01/2043                               | 1 |
| 31380J-CK-1          | FN 4.50000 1/1/2044  |         | 09/01/2016    | MBS PAYDOWN       |                           | 468,911       | 468,911   | 505,638     | 477,172                                  |                                           | (8,261)                                    |                                                    | (8,261)                                                      |                                                                | 468,911                                        |                                          |                                  |                               |                                                     | 11,962                           | 01/01/2044                               | 1 |
| 31380M-MN-7          | FN 4.50000 3/1/2044  |         | 09/01/2016    | MBS PAYDOWN       |                           | 722,801       | 722,801   | 779,414     | 727,955                                  |                                           | (5,155)                                    |                                                    | (5,155)                                                      |                                                                | 722,801                                        |                                          |                                  |                               |                                                     | 21,328                           | 03/01/2044                               | 1 |
| 31380Z-3J-0          | FN 3.00000 11/1/2044 |         | 09/01/2016    | MBS PAYDOWN       |                           | 453           | 453       | 442         | 452                                      |                                           | 1                                          |                                                    | 1                                                            |                                                                | 453                                            |                                          |                                  |                               |                                                     | 8                                | 11/01/2044                               | 1 |
| 31380S-WH-3          | FN 3.00000 2/1/2045  |         | 09/01/2016    | MBS PAYDOWN       |                           | 50,440        | 50,440    | 49,249      | 50,259                                   |                                           | 181                                        |                                                    | 181                                                          |                                                                | 50,440                                         |                                          |                                  |                               |                                                     | 877                              | 02/01/2045                               | 1 |
| 31380E-NI-7          | FN 3.50000 12/1/2044 |         | 09/01/2016    | MBS PAYDOWN       |                           | 3,308,498     | 3,378,274 | 3,316,282   | 3,316,282                                |                                           | (7,763)                                    |                                                    | (7,763)                                                      |                                                                | 3,308,498                                      |                                          |                                  |                               |                                                     | 69,346                           | 12/01/2044                               | 1 |
| 31380H-HE-3          | FN 3.50000 12/1/2044 |         | 09/01/2016    | MBS PAYDOWN       |                           | 1,456,828     | 1,456,828 | 1,487,552   | 1,462,673                                |                                           | (5,845)                                    |                                                    | (5,845)                                                      |                                                                | 1,456,828                                      |                                          |                                  |                               |                                                     | 30,798                           | 12/01/2044                               | 1 |
| 31380Y-EJ-3          | FN 3.00000 9/1/2044  |         | 09/01/2016    | MBS PAYDOWN       |                           | 90,928        | 90,928    | 88,781      | 90,679                                   |                                           | 249                                        |                                                    | 249                                                          |                                                                | 90,928                                         |                                          |                                  |                               |                                                     | 1,635                            | 09/01/2044                               | 1 |
| 31380Y-M4-7          | FN 3.00000 9/1/2044  |         | 09/01/2016    | MBS PAYDOWN       |                           | 2,817,865     | 2,817,865 | 2,751,576   | 2,810,883                                |                                           | 7,782                                      |                                                    | 7,782                                                        |                                                                | 2,817,865                                      |                                          |                                  |                               |                                                     | 53,910                           | 01/01/2045                               | 1 |
| 31380Y-S5-5          | FN 4.00000 1/1/2045  |         | 09/01/2016    | MBS PAYDOWN       |                           | 698,576       | 698,576   | 740,356     | 703,483                                  |                                           | (4,908)                                    |                                                    | (4,908)                                                      |                                                                | 698,576                                        |                                          |                                  |                               |                                                     | 15,214                           | 01/01/2045                               | 1 |
| 31380D-D3-9          | FN 3.00000 1/1/2045  |         | 09/01/2016    | MBS PAYDOWN       |                           | 30,333        | 30,333    | 29,617      | 30,211                                   |                                           | 122                                        |                                                    | 122                                                          |                                                                | 30,333                                         |                                          |                                  |                               |                                                     | 472                              | 01/01/2045                               | 1 |
| 31380T-F4-6          | FN 3.00000 12/1/2044 |         | 09/01/2016    | MBS PAYDOWN       |                           | 6,990         | 6,990     | 6,825       | 6,984                                    |                                           | 5                                          |                                                    | 5                                                            |                                                                | 6,990                                          |                                          |                                  |                               |                                                     | 122                              | 12/01/2044                               | 1 |
| 31380E-RQ-2          | FN 3.00000 4/1/2045  |         | 09/01/2016    | MBS PAYDOWN       |                           | 2,233,413     | 2,233,413 | 2,180,692   | 2,227,280                                |                                           | 6,134                                      |                                                    | 6,134                                                        |                                                                | 2,233,413                                      |                                          |                                  |                               |                                                     | 41,381                           | 04/01/2045                               | 1 |
| 31380F-AZ-7          | FN 3.00000 1/1/2045  |         | 09/01/2016    | MBS PAYDOWN       |                           | 91,684        | 91,684    | 89,519      | 91,317                                   |                                           | 367                                        |                                                    | 367                                                          |                                                                | 91,684                                         |                                          |                                  |                               |                                                     | 1,700                            | 01/01/2045                               | 1 |
| 31380F-GV-0          | FN 4.00000 2/1/2045  |         | 09/01/2016    | MBS PAYDOWN       |                           | 51,085        | 51,085    | 54,339      | 51,423                                   |                                           | (339)                                      |                                                    | (339)                                                        |                                                                | 51,085                                         |                                          |                                  |                               |                                                     | 1,192                            | 02/01/2045                               | 1 |
| 31380J-MR-4          | FN 3.00000 6/1/2045  |         | 09/01/2016    | MBS PAYDOWN       |                           | 226,379       | 226,379   | 230,522     | 225,437                                  |                                           | 942                                        |                                                    | 942                                                          |                                                                | 226,379                                        |                                          |                                  |                               |                                                     | 4,317                            | 06/01/2045                               | 1 |
| 31380Y-2N-2          | FN 3.00000 4/1/2045  |         | 09/01/2016    | MBS PAYDOWN       |                           | 236,382       | 236,382   | 230,812     | 236,082                                  |                                           | 330                                        |                                                    | 330                                                          |                                                                | 236,382                                        |                                          |                                  |                               |                                                     | 4,192                            | 04/01/2045                               | 1 |
| 31380Y-PE-1          | FN 3.00000 5/1/2045  |         | 09/01/2016    | MBS PAYDOWN       |                           | 23,108        | 23,108    | 22,563      | 23,078                                   |                                           | 30                                         |                                                    | 30                                                           |                                                                | 23,108                                         |                                          |                                  |                               | </                                                  |                                  |                                          |   |

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

| 1                                                 | 2                               | 3            | 4                | 5                       | 6                               | 7                  | 8           | 9              | 10                                                   | Change In Book/Adjusted Carrying Value             |                                                        |                                                                     |                                                                       |                                                                                     | 16                                        | 17                                                   | 18                                        | 19                                  | 20                                                                 | 21                                             | 22                                                                |     |
|---------------------------------------------------|---------------------------------|--------------|------------------|-------------------------|---------------------------------|--------------------|-------------|----------------|------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------------------|-------------------------------------------|-------------------------------------|--------------------------------------------------------------------|------------------------------------------------|-------------------------------------------------------------------|-----|
|                                                   |                                 |              |                  |                         |                                 |                    |             |                |                                                      | 11                                                 | 12                                                     | 13                                                                  | 14                                                                    | 15                                                                                  |                                           |                                                      |                                           |                                     |                                                                    |                                                |                                                                   |     |
| CUSIP Ident-ification                             | Description                     | For-<br>eign | Disposal<br>Date | Name<br>of Purchaser    | Number of<br>Shares of<br>Stock | Consid-<br>eration | Par Value   | Actual<br>Cost | Prior Year<br>Book/<br>Adjusted<br>Carrying<br>Value | Unrealized<br>Valuation<br>Increase/<br>(Decrease) | Current<br>Year's<br>(Amor-<br>tization)/<br>Accretion | Current<br>Other Than<br>Temporary<br>Impairment<br>Recog-<br>nized | Total<br>Change In<br>Book/<br>Carrying<br>Value<br>(11 + 12 -<br>13) | Total<br>Foreign<br>Exchange<br>Change In<br>Book/<br>Adjusted<br>Carrying<br>Value | Book/<br>Carrying<br>Value at<br>Disposal | Foreign<br>Exchange<br>Gain<br>(Loss) on<br>Disposal | Realized<br>Gain<br>(Loss) on<br>Disposal | Total Gain<br>(Loss) on<br>Disposal | Bond<br>Interest/<br>Stock<br>Dividends<br>Received<br>During Year | Stated<br>Con-<br>tractual<br>Maturity<br>Date | NAIC<br>Desig-<br>nation<br>or<br>Market<br>In-<br>dicator<br>(a) |     |
| 31397F-V3-0                                       | FR 3291 NE                      |              | 09/01/2016       | MBS PAYDOWN             |                                 | 1,357,869          | 1,357,869   | 1,303,608      | 1,354,256                                            |                                                    | 3,613                                                  |                                                                     | 3,613                                                                 |                                                                                     | 1,357,869                                 |                                                      |                                           |                                     | 43,308                                                             | 03/15/2037                                     | IFE                                                               |     |
| 31397H-H3-4                                       | FR 3320 TE                      |              | 09/01/2016       | MBS PAYDOWN             |                                 | 753,504            | 753,504     | 722,275        | 751,205                                              |                                                    | 2,289                                                  |                                                                     | 2,289                                                                 |                                                                                     | 753,504                                   |                                                      |                                           |                                     | 24,199                                                             | 05/15/2037                                     | IFE                                                               |     |
| 31402Z-UJ-9                                       | FN 5.00000 2/1/2019             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 51,665             | 51,665      | 52,358         | 51,748                                               | (83)                                               |                                                        | (83)                                                                |                                                                       |                                                                                     | 51,665                                    |                                                      |                                           |                                     | 1,490                                                              | 02/01/2019                                     | 1                                                                 |     |
| 31407J-JD-1                                       | FN 6.50000 9/1/2036             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 35,314             | 35,314      | 39,370         | 36,219                                               | (904)                                              |                                                        | (904)                                                               |                                                                       |                                                                                     | 35,314                                    |                                                      |                                           |                                     | 1,487                                                              | 09/01/2036                                     | 1                                                                 |     |
| 31407S-EK-4                                       | FN 5.50000 11/1/2035            |              | 09/01/2016       | MBS PAYDOWN             |                                 | 19,975             | 19,975      | 19,560         | 20,001                                               | (27)                                               |                                                        | (27)                                                                |                                                                       |                                                                                     | 19,975                                    |                                                      |                                           |                                     | 661                                                                | 11/01/2035                                     | 1                                                                 |     |
| 31408H-PN-9                                       | FN 6.00000 1/1/2036             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 830                | 830         | 838            | 832                                                  | (3)                                                |                                                        | (3)                                                                 |                                                                       |                                                                                     | 830                                       |                                                      |                                           |                                     | 29                                                                 | 01/01/2036                                     | 1                                                                 |     |
| 3140E1-AJ-9                                       | FN 3.00000 9/1/2045             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 28,532             | 28,532      | 27,794         | 28,479                                               | 53                                                 |                                                        | 53                                                                  |                                                                       |                                                                                     | 28,532                                    |                                                      |                                           |                                     | 500                                                                | 09/01/2045                                     | 1                                                                 |     |
| 3140E1-BU-6                                       | FN 3.00000 9/1/2045             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 109,513            | 109,513     | 106,680        | 109,427                                              | 87                                                 |                                                        | 87                                                                  |                                                                       |                                                                                     | 109,513                                   |                                                      |                                           |                                     | 2,165                                                              | 09/01/2045                                     | 1                                                                 |     |
| 3140E1-SF-1                                       | FN 3.50000 9/1/2045             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 294,321            | 294,321     | 286,706        | 293,986                                              | 335                                                |                                                        | 335                                                                 |                                                                       |                                                                                     | 294,321                                   |                                                      |                                           |                                     | 4,550                                                              | 09/01/2045                                     | 1                                                                 |     |
| 3140E2-HA-2                                       | FN 3.50000 10/1/2045            |              | 09/12/2016       | MBS PAYDOWN             |                                 | 4,543,249          | 4,543,249   | 4,729,943      | 4,543,249                                            | (14,175)                                           |                                                        | (14,175)                                                            |                                                                       |                                                                                     | 4,543,249                                 |                                                      |                                           |                                     | 82,885                                                             | 10/01/2045                                     | 1                                                                 |     |
| 31410V-VS-2                                       | FN 6.00000 8/1/2021             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 13,008             | 13,008      | 13,121         | 13,020                                               | (12)                                               |                                                        | (12)                                                                |                                                                       |                                                                                     | 13,008                                    |                                                      |                                           |                                     | 456                                                                | 08/01/2021                                     | 1                                                                 |     |
| 31411G-JJ-7                                       | FN 2.53500 12/1/2036            |              | 09/01/2016       | MBS PAYDOWN             |                                 | 6,898              | 6,898       | 6,940          | 6,911                                                | (13)                                               |                                                        | (13)                                                                |                                                                       |                                                                                     | 6,898                                     |                                                      |                                           |                                     | 102                                                                | 12/01/2036                                     | 1                                                                 |     |
| 31412S-RC-1                                       | FN 6.50000 3/1/2038             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 173,637            | 173,637     | 193,578        | 170,887                                              | 2,740                                              |                                                        | 2,740                                                               |                                                                       |                                                                                     | 173,637                                   |                                                      |                                           |                                     | 5,653                                                              | 03/01/2038                                     | 1                                                                 |     |
| 31412V-AV-3                                       | FN 5.50000 7/1/2022             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 16,594             | 16,594      | 16,957         | 16,636                                               | (41)                                               |                                                        | (41)                                                                |                                                                       |                                                                                     | 16,594                                    |                                                      |                                           |                                     | 533                                                                | 07/01/2022                                     | 1                                                                 |     |
| 31413D-S5-7                                       | FN 6.50000 8/1/2037             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 6,122              | 6,122       | 6,826          | 6,134                                                | (11)                                               |                                                        | (11)                                                                |                                                                       |                                                                                     | 6,122                                     |                                                      |                                           |                                     | 232                                                                | 08/01/2037                                     | 1                                                                 |     |
| 31413F-SA-6                                       | FN 6.50000 7/1/2037             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 176,427            | 176,427     | 196,689        | 163,068                                              | 13,329                                             |                                                        | 13,329                                                              |                                                                       |                                                                                     | 176,427                                   |                                                      |                                           |                                     | 6,688                                                              | 07/01/2037                                     | 1                                                                 |     |
| 31413L-LI-1                                       | FN 6.00000 8/1/2037             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 5,177              | 5,177       | 5,712          | 5,177                                                | (63)                                               |                                                        | (63)                                                                |                                                                       |                                                                                     | 5,177                                     |                                                      |                                           |                                     | 161                                                                | 08/01/2037                                     | 1                                                                 |     |
| 31413N-AS-1                                       | FN 6.50000 11/1/2037            |              | 09/01/2016       | MBS PAYDOWN             |                                 | 684                | 684         | 700            | 670                                                  | 13                                                 |                                                        | 13                                                                  |                                                                       |                                                                                     | 684                                       |                                                      |                                           |                                     | 26                                                                 | 11/01/2037                                     | 1                                                                 |     |
| 31413T-T9-3                                       | FN 6.50000 11/1/2037            |              | 09/01/2016       | MBS PAYDOWN             |                                 | 12,818             | 12,818      | 14,290         | 12,257                                               | 562                                                |                                                        | 562                                                                 |                                                                       |                                                                                     | 12,818                                    |                                                      |                                           |                                     | 490                                                                | 11/01/2037                                     | 1                                                                 |     |
| 31414P-U3-1                                       | FN 6.50000 2/1/2038             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 51,135             | 51,135      | 57,007         | 51,452                                               | (317)                                              |                                                        | (317)                                                               |                                                                       |                                                                                     | 51,135                                    |                                                      |                                           |                                     | 1,939                                                              | 02/01/2038                                     | 1                                                                 |     |
| 31414R-ON-3                                       | FN 5.00000 3/1/2038             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 178,744            | 178,744     | 195,040        | 182,777                                              | (4,033)                                            |                                                        | (4,033)                                                             |                                                                       |                                                                                     | 178,744                                   |                                                      |                                           |                                     | 4,775                                                              | 03/01/2038                                     | 1                                                                 |     |
| 31414R-PN-9                                       | FN 5.00000 4/1/2038             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 76,244             | 76,244      | 83,186         | 78,555                                               | (2,310)                                            |                                                        | (2,310)                                                             |                                                                       |                                                                                     | 76,244                                    |                                                      |                                           |                                     | 2,081                                                              | 04/01/2038                                     | 1                                                                 |     |
| 31416V-R9-7                                       | FN 6.50000 11/1/2038            |              | 09/01/2016       | MBS PAYDOWN             |                                 | 344,607            | 344,607     | 384,183        | 349,993                                              | (5,386)                                            |                                                        | (5,386)                                                             |                                                                       |                                                                                     | 344,607                                   |                                                      |                                           |                                     | 12,802                                                             | 11/01/2038                                     | 1                                                                 |     |
| 31417B-NC-7                                       | FN 3.50000 4/1/2042             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 3,643              | 3,643       | 3,699          | 3,650                                                | (7)                                                |                                                        | (7)                                                                 |                                                                       |                                                                                     | 3,643                                     |                                                      |                                           |                                     | 74                                                                 | 04/01/2042                                     | 1                                                                 |     |
| 31417E-NS-7                                       | FN 3.00000 1/1/2043             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 36,357             | 36,357      | 35,415         | 36,270                                               | 88                                                 |                                                        | 88                                                                  |                                                                       |                                                                                     | 36,357                                    |                                                      |                                           |                                     | 646                                                                | 01/01/2043                                     | 1                                                                 |     |
| 31417E-UJ-2                                       | FN 3.00000 1/1/2043             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 105,432            | 105,432     | 102,699        | 105,252                                              | 180                                                |                                                        | 180                                                                 |                                                                       |                                                                                     | 105,432                                   |                                                      |                                           |                                     | 1,805                                                              | 01/01/2043                                     | 1                                                                 |     |
| 31417G-NF-5                                       | FN 3.50000 2/1/2043             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 4,830              | 4,830       | 4,705          | 4,815                                                | 15                                                 |                                                        | 15                                                                  |                                                                       |                                                                                     | 4,830                                     |                                                      |                                           |                                     | 84                                                                 | 02/01/2043                                     | 1                                                                 |     |
| 31417G-T5-5                                       | FN 3.50000 6/1/2043             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 24,510             | 24,510      | 24,889         | 24,529                                               | (19)                                               |                                                        | (19)                                                                |                                                                       |                                                                                     | 24,510                                    |                                                      |                                           |                                     | 490                                                                | 06/01/2043                                     | 1                                                                 |     |
| 31418A-UP-1                                       | FN 3.00000 7/1/2043             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 215,131            | 215,131     | 209,579        | 214,495                                              | 536                                                |                                                        | 536                                                                 |                                                                       |                                                                                     | 215,131                                   |                                                      |                                           |                                     | 4,135                                                              | 07/01/2043                                     | 1                                                                 |     |
| 31418A-AT-9                                       | FN 4.50000 9/1/2043             |              | 09/01/2016       | MBS PAYDOWN             |                                 | 611,869            | 611,869     | 659,793        | 623,015                                              | (11,147)                                           |                                                        | (11,147)                                                            |                                                                       |                                                                                     | 611,869                                   |                                                      |                                           |                                     | 15,188                                                             | 09/01/2043                                     | 1                                                                 |     |
| 31418B-LF-1                                       | FN 3.50000 12/1/2044            |              | 09/01/2016       | MBS PAYDOWN             |                                 | 1,276,684          | 1,276,684   | 1,303,609      | 1,280,543                                            | (3,859)                                            |                                                        | (3,859)                                                             |                                                                       |                                                                                     | 1,276,684                                 |                                                      |                                           |                                     | 26,751                                                             | 12/01/2044                                     | 1                                                                 |     |
| 31418B-VS-2                                       | FN 3.50000 10/1/2045            |              | 09/01/2016       | MBS PAYDOWN             |                                 | 17,099             | 17,099      | 16,656         | 17,070                                               | 29                                                 |                                                        | 29                                                                  |                                                                       |                                                                                     | 17,099                                    |                                                      |                                           |                                     | 295                                                                | 10/01/2045                                     | 1                                                                 |     |
| 31418B-WF-9                                       | FN 3.50000 11/1/2045            |              | 09/01/2016       | MBS PAYDOWN             |                                 | 683,907            | 683,907     | 717,301        | 686,813                                              | (2,906)                                            |                                                        | (2,906)                                                             |                                                                       |                                                                                     | 683,907                                   |                                                      |                                           |                                     | 14,344                                                             | 11/01/2045                                     | 1                                                                 |     |
| 520453-AL-5                                       | LAURENCEBURG IN POLL CONTROL R  |              | 09/22/2016       | PIPER JAFFRAY & HPIWOOD |                                 | 6,000,000          | 6,000,000   | 6,000,000      |                                                      |                                                    |                                                        |                                                                     |                                                                       |                                                                                     | 6,000,000                                 |                                                      |                                           |                                     | 5,520                                                              | 10/01/2019                                     | IFE                                                               |     |
| 592041-RR-0                                       | MET GOVT NASHVILLE & DAVIDSON   |              | 09/20/2016       | INC                     |                                 | 9,642,485          | 8,500,000   | 8,738,935      | 8,599,526                                            | (17,378)                                           |                                                        | (17,378)                                                            |                                                                       |                                                                                     | 8,592,148                                 |                                                      | 1,060,337                                 | 1,060,337                           | 457,111                                                            | 10/01/2034                                     | IFE                                                               |     |
| 592846-3V-3                                       | MET WASHINGTON DC APPRIS AUTH A |              | 09/06/2016       | INC                     |                                 | 5,845,900          | 5,000,000   | 5,231,650      | 5,182,073                                            | (16,081)                                           |                                                        | (16,081)                                                            |                                                                       |                                                                                     | 5,165,992                                 |                                                      | 679,908                                   | 679,908                             | 234,722                                                            | 10/01/2030                                     | IFE                                                               |     |
| 592846-3V-1                                       | MET WASHINGTON DC APPRIS AUTH A |              | 09/20/2016       | INC                     |                                 | 6,427,598          | 5,545,000   | 5,768,464      | 5,720,728                                            | (16,254)                                           |                                                        | (16,254)                                                            |                                                                       |                                                                                     | 5,704,473                                 |                                                      | 723,124                                   | 723,124                             | 271,089                                                            | 10/01/2031                                     | IFE                                                               |     |
| 59333P-JB-0                                       | MIAMI-DADE CNTY FL AVIATION RE  |              | 09/20/2016       | INC                     |                                 | 8,665,496          | 7,540,000   | 7,893,673      | 7,685,439                                            | (25,500)                                           |                                                        | (25,500)                                                            |                                                                       |                                                                                     | 7,659,939                                 |                                                      | 1,005,557                                 | 1,005,557                           | 442,947                                                            | 10/01/2027                                     | IFE                                                               |     |
| 59333P-V2-8                                       | MIAMI-DADE CNTY FL AVIATION RE  |              | 09/21/2016       | INC                     |                                 | 1,844,908          | 1,575,000   | 1,555,542      | 1,555,542                                            | 131                                                |                                                        | 131                                                                 |                                                                       |                                                                                     | 1,555,672                                 |                                                      | 289,236                                   | 289,236                             | 42,109                                                             | 10/01/2030                                     | IFE                                                               |     |
| 59333P-VH-5                                       | MIAMI-DADE CNTY FL AVIATION RE  |              | 09/01/2016       | EXCHANGE                |                                 | 6,449,325          | 6,530,000   | 6,432,050      | 6,446,387                                            | 2,738                                              |                                                        | 2,738                                                               |                                                                       |                                                                                     | 6,449,325                                 |                                                      |                                           |                                     | 179,575                                                            | 10/01/2030                                     | IFE                                                               |     |
| 862888-FU-8                                       | N TX TOLLWAY AUTH DALLAS N TOL  |              | 08/24/2016       | INC                     |                                 | 10,216,752         | 9,100,000   | 9,372,856      | 9,202,660                                            | (22,052)                                           |                                                        | (22,052)                                                            |                                                                       |                                                                                     | 9,180,609                                 |                                                      | 1,036,143                                 | 1,036,143                           | 633,967                                                            | 01/01/2023                                     | IFE                                                               |     |
| 801680-DZ-2                                       | SANTA CLARA VLY CA WTR DIST     |              | 07/27/2016       | INC                     |                                 | 3,412,445          | 2,775,000   | 3,258,072      | 3,258,072                                            | (14,839)                                           |                                                        | (14,839)                                                            |                                                                       |                                                                                     | 3,243,233                                 |                                                      | 169,212                                   | 169,212                             | 46,635                                                             | 06/01/2036                                     | IFE                                                               |     |
| 876380-PR-4                                       | TARRANT CNTY TX CULTURAL EDU F  |              | 08/26/2016       | INC                     |                                 | 1,103,310          | 1,000,000   | 1,053,400      |                                                      | (1,679)                                            |                                                        | (1,679)                                                             |                                                                       |                                                                                     | 1,051,721                                 |                                                      | 51,589                                    | 51,589                              | 14,667                                                             | 11/15/2042                                     | IFE                                                               |     |
| 31939999 Subtotal - Bonds - U.S. Special Revenues |                                 |              |                  |                         |                                 |                    |             |                |                                                      |                                                    |                                                        |                                                                     |                                                                       |                                                                                     |                                           |                                                      |                                           |                                     |                                                                    |                                                |                                                                   |     |
| 000780-WP-8                                       | AMAC 2003-11 A4                 |              | 09/01/2016       | MBS PAYDOWN             |                                 | 268,260,384        | 253,904,656 | 264,947,489    | 81,990,200                                           |                                                    | (305,093)                                              |                                                                     | (305,093)                                                             |                                                                                     | 263,100,313                               |                                                      | 5,160,270                                 | 5,160,270                           | 3,404,068                                                          | XXX                                            | XXX                                                               | XXX |
| 00206R-AP-4                                       | AT&T INC                        |              | 09/08/2016       | EXCHANGE                |                                 | 10,445             | 10,445      | 11,055         | 10,443                                               | 2                                                  |                                                        | 2                                                                   |                                                                       |                                                                                     | 10,445                                    |                                                      | 3,337,857                                 | 3,337,857                           | 335                                                                | 10/25/2033                                     | IFE                                                               |     |
| 00206R-AG-7                                       | AT&T INC                        |              | 09/08/2016       | EXCHANGE                |                                 | 19,542,128         | 15,000,000  | 16,348,800     | 16,222,880                                           | (18,609)                                           |                                                        | (18,609)                                                            |                                                                       |                                                                                     | 16,204,271                                |                                                      | 3,360,772                                 | 3,360,772                           | 991,250                                                            | 09/01/2037                                     | 2FE                                                               |     |
| 00206R-AS-1                                       | AT&T INC                        |              | 08/01/2016       | J.P. MORGAN             |                                 | 19,051,838         | 15,000,000  | 15,533,650     | 15,479,458                                           | (8,392)                                            |                                                        | (8,392)                                                             |                                                                       |                                                                                     | 15,471,066                                |                                                      | 3,560,772                                 | 3,560,772                           | 1,081,500                                                          | 01/15/2039                                     | 2FE                                                               |     |
| 00209A-AF                                         |                                 |              |                  |                         |                                 |                    |             |                |                                                      |                                                    |                                                        |                                                                     |                                                                       |                                                                                     |                                           |                                                      |                                           |                                     |                                                                    |                                                |                                                                   |     |

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

| 1                    | 2                                       | 3            | 4                | 5                                | 6                               | 7                  | 8          | 9              | 10                                                   | Change In Book/Adjusted Carrying Value             |                                                        |                                                                  |                                                                       |                                                                         | 16                                                            | 17                                                   | 18                                        | 19                                  | 20                                                                 | 21                                             | 22                                                                |
|----------------------|-----------------------------------------|--------------|------------------|----------------------------------|---------------------------------|--------------------|------------|----------------|------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|------------------------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------|-------------------------------------------|-------------------------------------|--------------------------------------------------------------------|------------------------------------------------|-------------------------------------------------------------------|
|                      |                                         |              |                  |                                  |                                 |                    |            |                |                                                      | 11                                                 | 12                                                     | 13                                                               | 14                                                                    | 15                                                                      |                                                               |                                                      |                                           |                                     |                                                                    |                                                |                                                                   |
| CUSIP Identification | Description                             | For-<br>eign | Disposal<br>Date | Name<br>of Purchaser             | Number of<br>Shares of<br>Stock | Consid-<br>eration | Par Value  | Actual<br>Cost | Prior Year<br>Book/<br>Adjusted<br>Carrying<br>Value | Unrealized<br>Valuation<br>Increase/<br>(Decrease) | Current<br>Year's<br>(Amor-<br>tization)/<br>Accretion | Current<br>Year's<br>Other Than<br>Impairment<br>Recog-<br>nized | Total<br>Change in<br>Book/<br>Carrying<br>Value<br>(11 + 12 -<br>13) | Total<br>Foreign<br>Exchange<br>Change in<br>Book/<br>Carrying<br>Value | Book/<br>Adjusted<br>Carrying<br>Value at<br>Disposal<br>Date | Foreign<br>Exchange<br>Gain<br>(Loss) on<br>Disposal | Realized<br>Gain<br>(Loss) on<br>Disposal | Total Gain<br>(Loss) on<br>Disposal | Bond<br>Interest/<br>Stock<br>Dividends<br>Received<br>During Year | Stated<br>Con-<br>tractual<br>Maturity<br>Date | NAIC<br>Desig-<br>nation<br>or<br>Market<br>In-<br>dicator<br>(a) |
| 00507V-AJ-8          | ACTIVISION BLIZZARD                     |              | 09/21/2016       | STIEGL NICOLAUS &<br>COMPANY INC |                                 | 6,987,510          | 7,000,000  | 6,972,980      | 243                                                  |                                                    | 5                                                      |                                                                  |                                                                       |                                                                         | 6,972,985                                                     |                                                      | 14,525                                    | 14,525                              | 3,778                                                              | 09/15/2026                                     | IFE                                                               |
| 00673F-AA-4          | ADVANTAGE CAPITAL STATE TAX CREDIT      |              | 07/29/2016       | SINK                             |                                 | 200                | 200        | 2,000          |                                                      |                                                    | (43)                                                   |                                                                  |                                                                       |                                                                         | 200                                                           |                                                      |                                           |                                     | 524                                                                | 03/15/2017                                     | 1                                                                 |
| 020002-BA-8          | ALLSTATE CORP                           |              | 07/27/2016       | INC.                             |                                 | 11,839,000         | 10,000,000 | 10,653,000     |                                                      |                                                    | (5,645)                                                |                                                                  |                                                                       |                                                                         | 10,647,355                                                    |                                                      | 1,191,645                                 | 1,191,645                           | 282,500                                                            | 06/15/2043                                     | IFE                                                               |
| 02209S-AW-5          | ALTRIA GROUP INC                        |              | 08/05/2016       | BARCLAY'S                        |                                 | 7,691,390          | 7,000,000  | 7,377,370      |                                                      |                                                    | (2,495)                                                |                                                                  |                                                                       |                                                                         | 7,374,875                                                     |                                                      | 316,515                                   | 316,515                             | 149,576                                                            | 08/09/2042                                     | IFE                                                               |
| 026874-DB-0          | AMERICAN INTL GROUP                     |              | 09/20/2016       | MORGAN STANLEY                   |                                 | 9,294,100          | 10,000,000 | 9,955,000      | 9,955,238                                            |                                                    | (2,495)                                                |                                                                  |                                                                       |                                                                         | 9,955,171                                                     |                                                      | (661,071)                                 | (661,071)                           | 520,139                                                            | 01/15/2055                                     | 2FE                                                               |
| 026874-DE-1          | AMERICAN INTL GROUP                     |              | 08/31/2016       | CITICORP SECURITIES              |                                 | 10,760,900         | 10,000,000 | 10,132,850     | 5,034,372                                            |                                                    | (1,149)                                                |                                                                  |                                                                       |                                                                         | 10,131,872                                                    |                                                      | 629,028                                   | 629,028                             | 434,667                                                            | 07/10/2045                                     | 2FE                                                               |
| 028912-BG-5          | AMERICAN TOIER CORP                     |              | 09/09/2016       | GOLDMAN SACHS                    |                                 | 5,949,560          | 5,000,000  | 4,994,000      | 4,996,559                                            |                                                    | (1,149)                                                |                                                                  |                                                                       |                                                                         | 4,997,229                                                     |                                                      | 552,331                                   | 552,331                             | 261,197                                                            | 09/01/2020                                     | 2FE                                                               |
| 028912-BD-3          | AMERICAN TOIER CORP                     |              | 09/20/2016       | SUNTRUST EQUITABLE               |                                 | 7,791,725          | 7,500,000  | 8,124,375      | 7,849,224                                            |                                                    | (122,131)                                              |                                                                  |                                                                       |                                                                         | 7,727,094                                                     |                                                      | 64,631                                    | 64,631                              | 399,375                                                            | 01/15/2018                                     | 2FE                                                               |
| 03027X-AB-6          | AMERICAN TOIER CORP                     |              | 08/31/2016       | SUNTRUST EQUITABLE               |                                 | 3,659,285          | 3,500,000  | 3,148,285      | 3,217,734                                            |                                                    | (122,131)                                              |                                                                  |                                                                       |                                                                         | 3,240,919                                                     |                                                      | 418,366                                   | 418,366                             | 134,750                                                            | 01/31/2023                                     | 2FE                                                               |
| 03072S-FY-6          | ANIS 2009-5 A6                          |              | 09/01/2016       | MBS PAYDOWN                      |                                 | 188,350            | 188,350    | 190,734        | 190,666                                              |                                                    | (2,616)                                                |                                                                  |                                                                       |                                                                         | 188,350                                                       |                                                      |                                           |                                     | 2,337                                                              | 04/25/2033                                     | IFNL                                                              |
| 03073E-AN-5          | AMERISOURCEBERN CORP                    |              | 08/08/2016       | J.P. MORGAN                      |                                 | 5,377,950          | 5,000,000  | 5,208,300      |                                                      |                                                    | (484)                                                  |                                                                  |                                                                       |                                                                         | 5,207,816                                                     |                                                      | 170,134                                   | 170,134                             | 94,444                                                             | 03/01/2045                                     | IFE                                                               |
| 032511-BF-3          | ANADARKO PETROLEUM CORP                 |              | 08/31/2016       | BARCLAY'S                        |                                 | 5,693,380          | 5,000,000  | 5,699,380      | 5,311,700                                            |                                                    | (57,675)                                               |                                                                  |                                                                       |                                                                         | 5,254,025                                                     |                                                      | 285,975                                   | 285,975                             | 251,988                                                            | 06/15/2019                                     | 3FE                                                               |
| 03823T-BQ-0          | ANHEUSER-BUSCH INBEV WGR                | E            | 08/17/2016       | BANK OF AMERICA                  |                                 | 2,039,000          | 2,000,000  | 2,022,620      |                                                      |                                                    | (105)                                                  |                                                                  |                                                                       |                                                                         | 2,022,515                                                     |                                                      | 16,485                                    | 16,485                              | 45,208                                                             | 07/15/2042                                     | 2FE                                                               |
| 04055S-QL-6          | ARIZONA PUBLIC SERVICE                  |              | 07/28/2016       | WELLS FARGO SECURITIES<br>LLC    |                                 | 13,473,905         | 12,625,000 | 13,001,654     |                                                      |                                                    | (1,168)                                                |                                                                  |                                                                       |                                                                         | 13,000,485                                                    |                                                      | 473,420                                   | 473,420                             | 113,089                                                            | 06/15/2046                                     | IFE                                                               |
| 04351L-AB-6          | ASCENSION HEALTH                        |              | 07/27/2016       | MORGAN STANLEY                   |                                 | 11,154,900         | 10,000,000 | 10,000,000     |                                                      |                                                    | (1,168)                                                |                                                                  |                                                                       |                                                                         | 10,000,000                                                    |                                                      | 1,154,900                                 | 1,154,900                           | 87,667                                                             | 11/15/2046                                     | IFE                                                               |
| 05490V-AC-1          | BBOIS 2015-M50 B                        |              | 09/01/2016       | J.P. MORGAN                      |                                 | 5,363,281          | 5,000,000  | 5,149,740      | 5,144,739                                            |                                                    | (13,985)                                               |                                                                  |                                                                       |                                                                         | 5,131,154                                                     |                                                      | 232,127                                   | 232,127                             | 144,943                                                            | 09/15/2032                                     | IFNL                                                              |
| 05528V-AA-1          | BAMLL 2015-HALL A1                      |              | 09/30/2016       | MBS PAYDOWN                      |                                 | 110,537            | 110,537    | 113,851        | 110,907                                              |                                                    | (13,985)                                               |                                                                  |                                                                       |                                                                         | 110,537                                                       |                                                      |                                           |                                     | 2,199                                                              | 07/05/2043                                     | IFNL                                                              |
| 05531G-AA-9          | BBX1 CORPORATION                        |              | 08/04/2016       | SUNTRUST EQUITABLE               |                                 | 4,348,360          | 4,000,000  | 3,972,240      | 3,981,246                                            |                                                    | 1,661                                                  |                                                                  |                                                                       |                                                                         | 3,982,907                                                     |                                                      | 365,453                                   | 365,453                             | 139,128                                                            | 03/22/2022                                     | IFE                                                               |
| 05577R-AG-5          | BNSF RAILWAY COMPANY (LESSEE) PRIV PLAZ |              | 08/31/2016       | SINK                             |                                 | 92,908             | 92,908     | 92,908         | 92,908                                               |                                                    | 1,661                                                  |                                                                  |                                                                       |                                                                         | 92,908                                                        |                                                      |                                           |                                     | 6,085                                                              | 02/26/2021                                     | 1                                                                 |
| 05577R-AH-3          | BNSF RAILWAY COMPANY (LESSEE) PRIV PLAZ |              | 08/31/2016       | SINK                             |                                 | 89,419             | 89,419     | 89,419         | 89,419                                               |                                                    |                                                        |                                                                  |                                                                       |                                                                         | 89,419                                                        |                                                      |                                           |                                     | 5,857                                                              | 02/26/2021                                     | 1                                                                 |
| 05577R-AJ-9          | BNSF RAILWAY COMPANY (LESSEE) PRIV PLAZ |              | 08/31/2016       | SINK                             |                                 | 27,388             | 27,388     | 27,388         | 27,388                                               |                                                    |                                                        |                                                                  |                                                                       |                                                                         | 27,388                                                        |                                                      |                                           |                                     | 1,794                                                              | 02/26/2021                                     | 1                                                                 |
| 05577R-AK-6          | BNSF RAILWAY COMPANY (LESSEE) PRIV PLAZ |              | 08/31/2016       | SINK                             |                                 | 28,118             | 28,118     | 28,118         | 28,118                                               |                                                    |                                                        |                                                                  |                                                                       |                                                                         | 28,118                                                        |                                                      |                                           |                                     | 1,842                                                              | 02/26/2021                                     | 1                                                                 |
| 05577R-AM-2          | BNSF RAILWAY COMPANY (LESSEE) PRIV PLAZ |              | 08/31/2016       | SINK                             |                                 | 11,321             | 11,321     | 11,321         | 11,321                                               |                                                    |                                                        |                                                                  |                                                                       |                                                                         | 11,321                                                        |                                                      |                                           |                                     | 742                                                                | 02/26/2021                                     | 1                                                                 |
| 05949X-YD-7          | BOAIS 2003-J 242                        |              | 09/01/2016       | MBS PAYDOWN                      |                                 | 78,398             | 78,398     | 75,337         | 78,496                                               |                                                    | (98)                                                   |                                                                  |                                                                       |                                                                         | 78,398                                                        |                                                      |                                           |                                     | 1,327                                                              | 11/25/2033                                     | IFNL                                                              |
| 059513-AE-1          | BQAM 2007-4 A4                          |              | 08/31/2016       | VARIOUS                          |                                 | 9,114,349          | 8,873,961  | 10,146,126     | 9,180,336                                            |                                                    | (125,029)                                              |                                                                  |                                                                       |                                                                         | 9,055,307                                                     |                                                      | 56,042                                    | 56,042                              | 376,551                                                            | 02/10/2051                                     | IFNL                                                              |
| 05951U-AE-1          | BRC 2006-B72 A4                         |              | 09/01/2016       | MBS PAYDOWN                      |                                 | 89,928             | 111,652    | 91,921         | 110,115                                              |                                                    | (125,029)                                              |                                                                  |                                                                       |                                                                         | 9,055,307                                                     |                                                      | (21,725)                                  | (21,725)                            | 3,720                                                              | 10/25/2036                                     | IFNL                                                              |
| 05951V-AA-7          | BRC 2006-1 1A1                          |              | 09/07/2016       | VARIOUS                          |                                 | 246,757            | 246,757    | 249,910        | 248,704                                              |                                                    | 1,537                                                  |                                                                  |                                                                       |                                                                         | 248,757                                                       |                                                      |                                           |                                     | 4,504                                                              | 12/20/2036                                     | IFNL                                                              |
| 05952A-AA-4          | BQAM 2008-1 A4                          |              | 09/01/2016       | MBS PAYDOWN                      |                                 | 44,383             | 44,383     | 53,582         | 44,660                                               |                                                    | 53                                                     |                                                                  |                                                                       |                                                                         | 44,383                                                        |                                                      |                                           |                                     | 748                                                                | 02/10/2051                                     | IFNL                                                              |
| 06051G-DH-8          | BARC 2005-D A1                          |              | 09/07/2016       | MBS PAYDOWN                      |                                 | 81,997             | 81,997     | 82,433         | 82,041                                               |                                                    | (277)                                                  |                                                                  |                                                                       |                                                                         | 81,997                                                        |                                                      |                                           |                                     | 1,273                                                              | 05/25/2035                                     | IFNL                                                              |
| 072863-AF-0          | BAYLOR SCOTT & WHITE HOL                |              | 07/27/2016       | CITICORP SECURITIES              |                                 | 6,461,880          | 6,000,000  | 6,068,830      |                                                      |                                                    | (228)                                                  |                                                                  |                                                                       |                                                                         | 6,068,602                                                     |                                                      | 393,278                                   | 393,278                             | 71,406                                                             | 11/15/2046                                     | IFE                                                               |
| 07368H-CJ-6          | BALTA 2003-3 2A                         |              | 09/01/2016       | MBS PAYDOWN                      |                                 | 335,518            | 335,518    | 338,097        | 335,680                                              |                                                    | (228)                                                  |                                                                  |                                                                       |                                                                         | 335,518                                                       |                                                      |                                           |                                     | 5,854                                                              | 10/25/2033                                     | IFNL                                                              |
| 07368H-JJ-6          | BALTA 2004-6 1A                         |              | 09/25/2016       | MBS PAYDOWN                      |                                 | 295,109            | 295,109    | 280,799        | 291,936                                              |                                                    | 3,173                                                  |                                                                  |                                                                       |                                                                         | 295,109                                                       |                                                      |                                           |                                     | 2,101                                                              | 07/25/2034                                     | IFNL                                                              |
| 07368H-KK-6          | BALTA 2004-7 2A1                        |              | 09/01/2016       | MBS PAYDOWN                      |                                 | 212,776            | 212,776    | 214,851        | 213,021                                              |                                                    | (244)                                                  |                                                                  |                                                                       |                                                                         | 212,776                                                       |                                                      |                                           |                                     | 3,390                                                              | 08/25/2034                                     | 2FN                                                               |
| 07368H-LL-3          | BSJMS 2006-724 AM                       |              | 09/28/2016       | MBS PAYDOWN                      |                                 | 1,237,661          | 1,237,661  | 1,368,840      | 1,261,750                                            |                                                    | (24,090)                                               |                                                                  |                                                                       |                                                                         | 1,237,661                                                     |                                                      |                                           |                                     | 45,942                                                             | 10/12/2041                                     | IFNL                                                              |
| 07368P-BQ-3          | BECTON DICKINSON AND CO                 |              | 07/25/2016       | BARCLAY'S                        |                                 | 8,656,125          | 7,500,000  | 7,541,610      | 7,540,995                                            |                                                    | (24,090)                                               |                                                                  |                                                                       |                                                                         | 7,540,543                                                     |                                                      | 1,115,582                                 | 1,115,582                           | 217,657                                                            | 12/15/2044                                     | 2FE                                                               |
| 09061G-AF-8          | BIOMARIN PHARMACEUTICAL INC C.S.N.      |              | 09/19/2016       | VARIOUS                          |                                 | 8,958,385          | 7,000,000  | 7,404,683      | 7,279,238                                            |                                                    | (40,653)                                               |                                                                  |                                                                       |                                                                         | 7,238,585                                                     |                                                      | 1,719,800                                 | 1,719,800                           | 96,250                                                             | 10/15/2020                                     | 5                                                                 |
| 09238E-AA-2          | BLACKHAWK NETWORK CB                    |              | 09/21/2016       | LLC                              |                                 | 6,647,299          | 7,000,000  | 7,224,062      |                                                      |                                                    | (6,197)                                                |                                                                  |                                                                       |                                                                         | 7,217,865                                                     |                                                      | (570,566)                                 | (570,566)                           | 16,826                                                             | 01/15/2022                                     | 4Z                                                                |
| 101719-AA-5          | BOSTONIA VIAG TRUST 2008-1              |              | 09/29/2016       | SINK                             |                                 | 395,642            | 395,642    |                | 398,008                                              |                                                    | (3,166)                                                |                                                                  |                                                                       |                                                                         | 395,642                                                       |                                                      |                                           |                                     | 17,998                                                             | 11/25/2018                                     | 2                                                                 |
| 103668-AA-4          | BOTTOM LINE TECHNOLOGIES INC. C.S.B.    |              | 08/26/2016       | VARIOUS                          |                                 | 8,375,525          | 8,250,000  | 8,791,826      | 8,480,153                                            |                                                    | (3,166)                                                |                                                                  |                                                                       |                                                                         | 8,397,362                                                     |                                                      | (11,837)                                  | (11,837)                            | 78,500                                                             | 12/01/2017                                     | 4                                                                 |
| 112463-AA-2          | BROOKDALE SENIOR LIVING INC C.S.B.      |              | 09/22/2016       | VARIOUS                          |                                 | 8,177,738          | 8,000,000  | 9,403,024      | 6,678,182                                            |                                                    | (72,791)                                               |                                                                  |                                                                       |                                                                         | 8,630,140                                                     |                                                      | (452,402)                                 | (452,402)                           | 170,855                                                            | 06/15/2018                                     | 5FE                                                               |
| 11429P-AP-9          | BROOKLYN UNION GAS CO                   |              | 07/29/2016       | BANK OF AMERICA                  |                                 | 5,840,850          | 5,000,000  | 5,414,024      | 5,414,024                                            |                                                    | (202,272)                                              |                                                                  |                                                                       |                                                                         | 5,412,767                                                     |                                                      | 428,084                                   | 428,084                             | 89,454                                                             | 03/10/2048                                     | IFE                                                               |
| 115637-AL-4          | BROWN-FORMAN CORP                       |              | 07/28/2016       | BANK OF AMERICA                  |                                 | 5,173,800          | 5,000,000  | 4,948,150      |                                                      |                                                    | (1,284)                                                |                                                                  |                                                                       |                                                                         | 4,948,581                                                     |                                                      | 225,238                                   | 225,238                             | 102,604                                                            | 01/15/2043                                     | IFE                                                               |
| 115637-AP-5          | BROWN-FORMAN CORP                       |              | 07/28/2016       | BANK OF AMERICA                  |                                 | 5,802,900          | 5,000,000  | 5,330,400      |                                                      |                                                    | (2,545)                                                |                                                                  |                                                                       |                                                                         | 5,327,855                                                     |                                                      | 475,045                                   | 475,045                             | 123,125                                                            | 07/15/2045                                     | IFE                                                               |
| 12008R-AG-2          | BUILDERS FIRSTSOURCE INC                |              | 08/22/2016       | 105,719                          |                                 | 2,692,663          | 2,547,000  | 2,679,955      |                                                      |                                                    | (12,574)                                               |                                                                  |                                                                       |                                                                         | 2,666,381                                                     |                                                      | 26,282                                    | 26,282                              | 140,801                                                            | 06/01/2021                                     | 4FE                                                               |
| 124857-AN-3          | CBS CORP                                |              | 08/31/2016       | VARIOUS                          |                                 | 16,006,707         | 15,475,000 | 15,410,830     | 15,411,609                                           |                                                    | (12,574)                                               |                                                                  |                                                                       |                                                                         | 15,412,209                                                    |                                                      | 594,498                                   | 594,498                             | 738,600                                                            | 01/15/2045                                     | 2FE                                                               |
| 12485P-AN-9          | COO HDOS LLC/CAP CORP                   |              | 07/07/2016       | BANK OF AMERICA                  |                                 | 1,037,500          | 1,000,000  | 1,009,000      | 1,006,375                                            |                                                    | 600                                                    |                                                                  |                                                                       |                                                                         | 1,007,528                                                     |                                                      | 29                                        |                                     |                                                                    |                                                |                                                                   |

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

| 1                    | 2                           | 3       | 4             | 5                          | 6                         | 7             | 8          | 9           | 10                                      | Change In Book/Adjusted Carrying Value   |                                         |                                                           |                                                             |                                                               | 16                                            | 17                                       | 18                               | 19                            | 20                                                 | 21                               | 22                                       |      |
|----------------------|-----------------------------|---------|---------------|----------------------------|---------------------------|---------------|------------|-------------|-----------------------------------------|------------------------------------------|-----------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------|------------------------------------------|----------------------------------|-------------------------------|----------------------------------------------------|----------------------------------|------------------------------------------|------|
|                      |                             |         |               |                            |                           |               |            |             |                                         | 11                                       | 12                                      | 13                                                        | 14                                                          | 15                                                            |                                               |                                          |                                  |                               |                                                    |                                  |                                          |      |
| CUSIP Identification | Description                 | Foreign | Disposal Date | Name of Purchaser          | Number of Shares of Stock | Consideration | Par Value  | Actual Cost | Prior Year Book/Adjusted Carrying Value | Unrealized Valuation Increase/(Decrease) | Current Year's (Amortization)/Accretion | Current Year's Other Than Temporary Impairment Recognized | Total Change In Book/Adjusted Carrying Value (11 + 12 - 13) | Total Foreign Exchange Change In Book/Adjusted Carrying Value | Book/Adjusted Carrying Value at Disposal Date | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Bond Interest/Stock Dividends Received During Year | Stated Contractual Maturity Date | NAIC Designation or Market Indicator (a) |      |
| 1268E-CU-6           | CHL 2003-21 A2              |         | 09/01/2016    | MBS PAYDOWN                |                           | 120,842       | 120,842    | 122,881     | 120,556                                 |                                          | 286                                     |                                                           | 286                                                         |                                                               |                                               | 120,842                                  |                                  |                               |                                                    | 2,148                            | 05/25/2033                               | IFIL |
| 1268E-DE-7           | CHL 2003-46 A41             |         | 09/01/2016    | MBS PAYDOWN                |                           | 193,275       | 193,275    | 190,618     | 193,006                                 |                                          | 269                                     |                                                           | 269                                                         |                                                               |                                               | 193,275                                  |                                  |                               |                                                    | 3,130                            | 01/19/2034                               | IFIL |
| 1268F-UD-1           | CHL 2004-5 2A9              |         | 09/01/2016    | MBS PAYDOWN                |                           | 66,982        | 66,982     | 66,582      | 66,582                                  |                                          | (126)                                   |                                                           | (126)                                                       |                                                               |                                               | 66,982                                   |                                  |                               |                                                    | 2,273                            | 05/25/2034                               | IFIL |
| 1281H-AC-6           | CALAMOS HOLDINGS, LLC       |         | 08/31/2016    | SINK                       |                           | 1,096,181     | 1,096,181  | 1,096,181   | 1,096,181                               |                                          |                                         |                                                           |                                                             |                                                               | 1,096,181                                     |                                          |                                  |                               | 244,118                                            | 07/15/2019                       | 2                                        |      |
| 1445E-AE-2           | CARR 2006-RECI M1           |         | 08/15/2016    | ROBERT W. BAIRD & CO, INC  |                           | 7,582,875     | 14,050,000 | 8,465,125   |                                         |                                          | 3,888,069                               |                                                           | 3,888,069                                                   |                                                               |                                               | 6,679,891                                |                                  | 882,983                       |                                                    | 15,003                           | 05/25/2036                               | 5FE  |
| 1615D-AC-4           | CHART INDUSTRIES INC S.C.B. |         | 09/08/2016    | BCP SECURITIES             |                           | 10,703,014    | 11,000,000 | 10,832,921  | 10,957,775                              |                                          | 10,756                                  |                                                           | 10,756                                                      |                                                               |                                               | 10,988,531                               |                                  | (265,517)                     |                                                    | 245,667                          | 08/01/2018                               | 4    |
| 1617S-AT-1           | CHARTER COMM OPT LLC/CAP    |         | 08/31/2016    | BARCLAYS                   |                           | 5,515,050     | 5,000,000  | 5,026,552   |                                         |                                          | (616)                                   |                                                           | (616)                                                       |                                                               |                                               | 5,025,936                                |                                  | 489,114                       |                                                    | 152,012                          | 07/23/2025                               | 2FE  |
| 161546-FX-9          | CFAB 2003-4 M1              |         | 08/01/2016    | MBS PAYDOWN                |                           | 103,279       | 103,279    | 99,277      | 103,433                                 |                                          | (153)                                   |                                                           | (153)                                                       |                                                               |                                               | 103,279                                  |                                  |                               |                                                    | 3,108                            | 11/25/2032                               | IFIL |
| 16160D-AE-8          | CHASE 2007-A1 1A5           |         | 09/01/2016    | MBS PAYDOWN                |                           | 54,310        | 54,310     | 53,315      | 54,246                                  |                                          | 63                                      |                                                           | 63                                                          |                                                               |                                               | 54,310                                   |                                  |                               |                                                    | 933                              | 02/25/2037                               | IFIL |
| 16163D-AG-3          | CHASE 2007-A1 2A1           |         | 09/01/2016    | MBS PAYDOWN                |                           | 350,985       | 350,985    | 350,726     | 350,927                                 |                                          | 68                                      |                                                           | 68                                                          |                                                               |                                               | 350,985                                  |                                  |                               |                                                    | 6,101                            | 02/25/2037                               | IFIL |
| 16163D-AU-2          | CHASE 2007-A1 7A1           |         | 09/30/2016    | MBS PAYDOWN                |                           | 107,002       | 107,002    | 103,853     | 106,715                                 |                                          | 287                                     |                                                           | 287                                                         |                                                               |                                               | 107,002                                  |                                  |                               |                                                    | 1,544                            | 02/25/2037                               | IFIL |
| 16163D-AV-4          | CHASE 2007-A1 9A1           |         | 09/01/2016    | MBS PAYDOWN                |                           | 228,276       | 228,276    | 226,445     | 227,843                                 |                                          | 432                                     |                                                           | 432                                                         |                                                               |                                               | 228,276                                  |                                  |                               |                                                    | 3,542                            | 02/25/2037                               | IFIL |
| 16163D-AF-5          | CRLY 2006-2 A4              |         | 09/01/2016    | MBS PAYDOWN                |                           | 485,314       | 485,314    | 444,972     |                                         |                                          | 3,675                                   |                                                           | 3,675                                                       |                                                               |                                               | 485,314                                  |                                  |                               |                                                    | 5,439                            | 09/25/2036                               | IFIL |
| 1687B-AA-2           | CHILDREN'S HOSPITAL MEDI    |         | 07/27/2016    | J.P. MORGAN                |                           | 11,284,300    | 10,000,000 | 10,000,000  | 10,000,000                              |                                          |                                         |                                                           |                                                             |                                                               | 10,000,000                                    |                                          | 1,284,300                        |                               | 303,902                                            | 05/15/2044                       | IFE                                      |      |
| 17185S-AA-7          | CINCP VA A                  |         | 09/28/2016    | MBS PAYDOWN                |                           | 355,930       | 355,930    | 355,930     | 355,930                                 |                                          |                                         |                                                           |                                                             |                                                               | 355,930                                       |                                          |                                  |                               | 24,557                                             | 11/05/2016                       | 2FE                                      |      |
| 172967-FF-3          | CITIGROUP INC               |         | 09/27/2016    | DEUTSCHE BANK              |                           | 11,229,100    | 10,000,000 | 9,889,500   | 9,946,316                               |                                          | 7,604                                   |                                                           | 7,604                                                       |                                                               |                                               | 9,953,920                                |                                  | 1,275,180                     |                                                    | 613,646                          | 08/09/2020                               | 2FE  |
| 172967-HS-3          | CITIGROUP INC               |         | 07/08/2016    | BANK OF AMERICA            |                           | 14,579,760    | 13,000,000 | 13,063,270  | 13,061,051                              |                                          | (647)                                   |                                                           | (647)                                                       |                                                               |                                               | 13,060,405                               |                                  | 1,519,355                     |                                                    | 472,731                          | 05/06/2044                               | 2FE  |
| 172967-JT-9          | CITIGROUP INC               |         | 08/04/2016    | GOLDMAN SACHS              |                           | 15,875,100    | 15,000,000 | 15,165,900  | 15,162,695                              |                                          | (9,032)                                 |                                                           | (9,032)                                                     |                                                               |                                               | 15,163,662                               |                                  | 721,438                       |                                                    | 438,167                          | 08/10/2025                               | 2FE  |
| 172973-SE-5          | CNSI 2006-1 1A13            |         | 09/01/2016    | MBS PAYDOWN                |                           | 107,739       | 107,739    | 101,039     | 94,876                                  |                                          |                                         |                                                           |                                                             |                                                               | 94,876                                        |                                          |                                  | 12,863                        |                                                    | 3,407                            | 02/25/2036                               | IFIL |
| 1855P-AB-5           | CLECO CORPORATE HOLDINGS    |         | 08/10/2016    | SCOTTIA MOLEDO             |                           | 16,632,150    | 15,000,000 | 15,000,000  |                                         |                                          | (202)                                   |                                                           | (202)                                                       |                                                               |                                               | 15,000,000                               |                                  | 1,632,150                     |                                                    | 182,943                          | 05/01/2046                               | 2FE  |
| 20279S-JF-8          | COMMONWEALTH EDISON CO      |         | 07/28/2016    | SCOTTIA MOLEDO             |                           | 3,151,890     | 3,000,000  | 3,091,620   |                                         |                                          |                                         |                                                           |                                                             |                                                               | 3,091,418                                     |                                          | 60,472                           |                               | 46,558                                             | 03/01/2045                       | IFE                                      |      |
| 20279S-JG-6          | COMMONWEALTH EDISON CO      |         | 08/01/2016    | BANK OF AMERICA            |                           | 2,314,660     | 2,000,000  | 2,119,840   |                                         |                                          | (927)                                   |                                                           | (927)                                                       |                                                               | 2,118,913                                     |                                          | 195,747                          |                               | 61,625                                             | 11/15/2045                       | IFE                                      |      |
| 207597-BH-4          | CONNECTICUT LIGHT & PHR     |         | 08/01/2016    | BANK OF AMERICA            |                           | 3,404,010     | 3,000,000  | 3,345,510   |                                         |                                          | (1,054)                                 |                                                           | (1,054)                                                     |                                                               | 3,344,456                                     |                                          | 59,554                           |                               | 21,788                                             | 06/01/2045                       | IFE                                      |      |
| 209111-EQ-2          | CONSOLIDATED EDISON CO 0    |         | 09/28/2016    | SCOTTIA MOLEDO             |                           | 12,844,400    | 10,000,000 | 9,246,050   | 9,330,625                               |                                          | 11,384                                  |                                                           | 11,384                                                      |                                                               | 9,342,009                                     |                                          | 3,502,391                        |                               | 473,417                                            | 08/15/2036                       | IFE                                      |      |
| 209111-ES-8          | CONSOLIDATED EDISON CO 0    |         | 09/30/2016    | SCOTTIA MOLEDO             |                           | 13,719,638    | 10,000,000 | 9,944,300   | 9,950,037                               |                                          | 766                                     |                                                           | 766                                                         |                                                               | 9,950,803                                     |                                          | 3,768,835                        |                               | 716,678                                            | 08/15/2037                       | IFE                                      |      |
| 209111-FH-1          | CONSOLIDATED EDISON CO 0    |         | 07/28/2016    | VARIOUS                    |                           | 12,888,948    | 12,000,000 | 12,013,160  |                                         |                                          | (430)                                   |                                                           | (430)                                                       |                                                               | 12,012,730                                    |                                          | 856,218                          |                               | 57,750                                             | 06/15/2046                       | IFE                                      |      |
| 21079S-DB-9          | CONTEL AIR LINES 2012-2 A   |         | 08/22/2016    | KEY BANK                   |                           | 13,965,844    | 13,081,274 | 13,288,394  | 13,245,848                              |                                          | (14,439)                                |                                                           | (14,439)                                                    |                                                               | 13,231,408                                    |                                          | 754,436                          |                               | 423,891                                            | 10/29/2024                       | IFE                                      |      |
| 21216B-AA-6          | CONTINENTAL WIND            |         | 08/28/2016    | SINK                       |                           | 423,518       | 423,518    | 423,518     | 423,518                                 |                                          |                                         |                                                           |                                                             |                                                               | 423,518                                       |                                          |                                  |                               | 25,743                                             | 02/28/2033                       | 2FE                                      |      |
| 2202S-AP-5           | CORRECTIONS CORP OF AMER    |         | 08/19/2016    | BOSTON                     |                           | 1,845,000     | 2,000,000  | 2,045,000   | 2,034,271                               |                                          | (2,722)                                 |                                                           | (2,722)                                                     |                                                               | 2,031,550                                     |                                          | (186,550)                        |                               | 75,285                                             | 05/01/2023                       | 3FE                                      |      |
| 2254S-AX-6           | CSFB 2004-1 DB1             |         | 09/01/2016    | MBS PAYDOWN                |                           | 120,706       | 120,706    | 110,898     |                                         |                                          | 339                                     |                                                           | 339                                                         |                                                               | 120,706                                       |                                          |                                  |                               | 2,963                                              | 02/25/2034                       | IFIL                                     |      |
| 2254S-SE-2           | CSFB 2004-3 1A4             |         | 09/01/2016    | MBS PAYDOWN                |                           | 123,639       | 123,639    | 130,555     | 124,305                                 |                                          | (666)                                   |                                                           | (666)                                                       |                                                               | 123,639                                       |                                          |                                  |                               | 4,108                                              | 06/25/2034                       | 3FIL                                     |      |
| 2254S-GJ-1           | CSFB 2004-3 1A8             |         | 09/01/2016    | MBS PAYDOWN                |                           | 103,782       | 103,782    | 107,544     | 104,141                                 |                                          | (358)                                   |                                                           | (358)                                                       |                                                               | 103,782                                       |                                          |                                  |                               | 3,448                                              | 06/25/2034                       | 3FIL                                     |      |
| 2254S-EC-3           | CSFB 2005-10 5A1            |         | 09/25/2016    | MBS PAYDOWN                |                           | 223,219       | 265,726    | 202,616     | 624,398                                 |                                          | 17,961                                  |                                                           | 17,961                                                      |                                                               | 265,726                                       |                                          | (42,506)                         |                               | 2,244                                              | 11/25/2035                       | IFIL                                     |      |
| 22859D-AA-9          | CSXCLAR IV SOUTH, LLC       |         | 09/30/2016    | SINK                       |                           | 229,484       | 229,484    | 229,489     | 229,469                                 |                                          |                                         |                                                           |                                                             |                                                               | 229,469                                       |                                          | 14                               |                               | 9,244                                              | 09/30/2038                       | 2FE                                      |      |
| 23046-AD-3           | DNW 2015-1A A211            |         | 08/31/2016    | MBS PAYDOWN                |                           | 25,000        | 25,000     | 25,000      | 25,000                                  |                                          |                                         |                                                           |                                                             |                                                               | 25,000                                        |                                          |                                  |                               | 746                                                | 02/20/2045                       | 2FE                                      |      |
| 23150U-AA-6          | DBALT 2007-0A2 A1           |         | 09/01/2016    | MBS PAYDOWN                |                           | 235,925       | 235,925    | 207,678     | 234,995                                 |                                          | 931                                     |                                                           | 931                                                         |                                                               | 235,925                                       |                                          |                                  |                               | 1,603                                              | 04/25/2047                       | IFIL                                     |      |
| 25150V-BA-3          | DBALT 2007-AR3 2A2B         |         | 09/25/2016    | MBS PAYDOWN                |                           | 1,207,909     | 1,213,799  | 1,008,212   | 1,008,212                               |                                          | (1,217)                                 |                                                           | (1,217)                                                     |                                                               | 1,213,799                                     |                                          | (5,889)                          |                               | 5,820                                              | 06/25/2037                       | IFIL                                     |      |
| 2527C-AN-2           | DIAMOND OFFSHORE DRILL      |         | 07/18/2016    | GOLDMAN SACHS              |                           | 11,445,000    | 15,000,000 | 13,560,250  | 13,573,206                              |                                          | 9,557                                   |                                                           | 9,557                                                       |                                                               | 13,582,764                                    |                                          | (2,137,764)                      |                               | 598,125                                            | 11/01/2043                       | 3FE                                      |      |
| 25383U-AK-2          | DIGITAL REALTY TRUST LP     |         | 07/27/2016    | BANK OF AMERICA            |                           | 25,721,500    | 25,000,000 | 24,714,740  | 24,794,463                              |                                          | 15,825                                  |                                                           | 15,825                                                      |                                                               | 24,810,288                                    |                                          | 911,212                          |                               | 755,208                                            | 10/01/2022                       | 2FE                                      |      |
| 25688Z-AD-3          | DPL INC                     |         | 09/13/2016    | GOLDMAN SACHS              |                           | 7,002,125     | 6,950,000  | 7,408,875   | 6,278,672                               |                                          | (39,910)                                |                                                           | (39,910)                                                    |                                                               | 7,303,782                                     |                                          | (301,637)                        |                               | 427,035                                            | 10/15/2021                       | 3FE                                      |      |
| 2575S-AC-4           | DPBS 2012-1A A2             |         | 07/29/2016    | MBS PAYDOWN                |                           | 40,625        | 40,625     | 40,625      | 40,625                                  |                                          |                                         |                                                           |                                                             |                                                               | 40,625                                        |                                          |                                  |                               | 1,899                                              | 01/25/2042                       | 2FE                                      |      |
| 260003-AC-2          | DOVER CORP                  |         | 09/29/2016    | BARCLAYS                   |                           | 2,622,120     | 2,000,000  | 1,800,853   | 1,833,888                               |                                          | 6,193                                   |                                                           | 6,193                                                       |                                                               | 1,840,082                                     |                                          | 782,038                          |                               | 111,942                                            | 06/01/2028                       | IFE                                      |      |
| 260543-OL-5          | DOII CHEMICAL CO/THE        |         | 09/26/2016    | MARLEY ALESS               |                           | 1,836,378     | 1,730,000  | 1,638,362   | 1,638,555                               |                                          | 1,213                                   |                                                           | 1,213                                                       |                                                               | 1,639,768                                     |                                          | 196,609                          |                               | 79,568                                             | 10/01/2044                       | 2FE                                      |      |
| 26441Y-AH-7          | DUKE REALTY LP              |         | 08/19/2016    | WELLS FARGO SECURITIES LLC |                           | 8,013,750     | 7,500,000  | 7,564,450   | 7,546,098                               |                                          | (4,155)                                 |                                                           | (4,155)                                                     |                                                               | 7,541,943                                     |                                          | 471,807                          |                               | 249,453                                            |                                  |                                          |      |

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

| 1                    | 2                                   | 3            | 4                | 5                            | 6                               | 7                  | 8          | 9              | 10                                                   | Change in Book/Adjusted Carrying Value             |                                                        |                                                                 |                                                                       |                                                                                     | 16                                                | 17                                                   | 18                                        | 19                                  | 20                                                                 | 21                                             | 22                                                           |
|----------------------|-------------------------------------|--------------|------------------|------------------------------|---------------------------------|--------------------|------------|----------------|------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------|------------------------------------------------------|-------------------------------------------|-------------------------------------|--------------------------------------------------------------------|------------------------------------------------|--------------------------------------------------------------|
|                      |                                     |              |                  |                              |                                 |                    |            |                |                                                      | 11                                                 | 12                                                     | 13                                                              | 14                                                                    | 15                                                                                  |                                                   |                                                      |                                           |                                     |                                                                    |                                                |                                                              |
| CUSIP Identification | Description                         | For-<br>eign | Disposal<br>Date | Name<br>of Purchaser         | Number of<br>Shares of<br>Stock | Consid-<br>eration | Par Value  | Actual<br>Cost | Prior Year<br>Book/<br>Adjusted<br>Carrying<br>Value | Unrealized<br>Valuation<br>Increase/<br>(Decrease) | Current<br>Year's<br>(Amor-<br>tization)/<br>Accretion | Current<br>Year's<br>Temporary<br>Impairment<br>Recog-<br>nized | Total<br>Change in<br>Book/<br>Carrying<br>Value<br>(11 + 12 -<br>13) | Total<br>Foreign<br>Exchange<br>Change in<br>Book/<br>Adjusted<br>Carrying<br>Value | Book/<br>Carrying<br>Value at<br>Disposal<br>Date | Foreign<br>Exchange<br>Gain<br>(Loss) on<br>Disposal | Realized<br>Gain<br>(Loss) on<br>Disposal | Total Gain<br>(Loss) on<br>Disposal | Bond<br>Interest/<br>Stock<br>Dividends<br>Received<br>During Year | Stated<br>Con-<br>tractual<br>Maturity<br>Date | NAIC<br>Desig-<br>nation<br>or<br>Market<br>Indicator<br>(a) |
| 28554-AH-5           | ENCORE CAPITAL GROUP INC. C.S.N.    |              | 07/20/2016       | VARIOUS                      |                                 | 4,721,514          | 7,000,000  | 7,145,000      | 7,109,893                                            |                                                    | (11,307)                                               |                                                                 | 7,098,677                                                             |                                                                                     |                                                   |                                                      | (2,377,063)                               | (2,377,063)                         | 172,948                                                            | 03/15/2021                                     | 4Z                                                           |
| 29273R-AZ-2          | ENERGY TRANSFER PARTNERS            |              | 07/14/2016       | US BANCORP INC               |                                 | 5,286,400          | 5,000,000  | 5,355,150      | 5,347,805                                            |                                                    | (3,118)                                                |                                                                 | 5,344,686                                                             |                                                                                     |                                                   |                                                      | (158,286)                                 | (158,286)                           | 238,000                                                            | 10/01/2043                                     | 2FE                                                          |
| 29273R-BD-0          | ENERGY TRANSFER PARTNERS            |              | 09/19/2016       | BARCLAY'S                    |                                 | 4,889,050          | 5,000,000  | 5,115,430      | 5,108,177                                            |                                                    | (7,283)                                                |                                                                 | 5,100,893                                                             |                                                                                     |                                                   |                                                      | (201,843)                                 | (201,843)                           | 206,438                                                            | 03/15/2025                                     | 2FE                                                          |
| 29273R-BF-5          | ENERGY TRANSFER PARTNERS            |              | 07/13/2016       | GOLDMAN SACHS                |                                 | 3,911,800          | 4,000,000  | 3,990,880      | 3,990,688                                            |                                                    | 108                                                    |                                                                 | 3,990,796                                                             |                                                                                     |                                                   |                                                      | (78,996)                                  | (78,996)                            | 173,383                                                            | 03/15/2045                                     | 2FE                                                          |
| 29279V-AP-8          | ENTERPRISE PRODUCTS OPER            |              | 07/12/2016       | SOCIETE GENERALE             |                                 | 10,427,525         | 9,250,000  | 9,624,683      | 9,498,088                                            |                                                    | (27,402)                                               |                                                                 | 9,470,684                                                             |                                                                                     |                                                   |                                                      | 956,841                                   | 956,841                             | 419,539                                                            | 06/01/2020                                     | 2FE                                                          |
| 29279V-AV-5          | ENTERPRISE PRODUCTS OPER            |              | 07/22/2016       | VARIOUS                      |                                 | 5,947,570          | 5,000,000  | 5,293,708      | 5,283,708                                            |                                                    | (2,724)                                                |                                                                 | 5,280,984                                                             |                                                                                     |                                                   |                                                      | 666,886                                   | 666,886                             | 264,733                                                            | 02/15/2042                                     | 2FE                                                          |
| 29279V-BA-0          | ENTERPRISE PRODUCTS OPER            |              | 09/06/2016       | RBC CAPITAL MARKETS          |                                 | 6,375,060          | 6,000,000  | 6,050,160      | 6,048,569                                            |                                                    | (241)                                                  |                                                                 | 6,048,718                                                             |                                                                                     |                                                   |                                                      | 326,342                                   | 326,342                             | 286,150                                                            | 03/15/2044                                     | 2FE                                                          |
| 29279V-BF-9          | ENTERPRISE PRODUCTS OPER            |              | 08/09/2016       | BARCLAY'S                    |                                 | 10,309,200         | 10,000,000 | 10,166,030     | 10,163,555                                           |                                                    | (688)                                                  |                                                                 | 10,162,667                                                            |                                                                                     |                                                   |                                                      | 146,533                                   | 146,533                             | 408,375                                                            | 10/15/2034                                     | 2FE                                                          |
| 29279R-AF-7          | ESTEE LAUDER CO INC                 |              | 07/29/2016       | BANK OF AMERICA              |                                 | 10,472,900         | 10,000,000 | 9,513,000      | 9,513,000                                            |                                                    | (4,368)                                                |                                                                 | 9,517,368                                                             |                                                                                     |                                                   |                                                      | 955,532                                   | 955,532                             | 171,689                                                            | 06/15/2042                                     | 1FE                                                          |
| 29276R-AG-5          | ESTEE LAUDER CO INC                 |              | 08/09/2016       | VARIOUS                      |                                 | 11,010,075         | 9,500,000  | 10,321,165     | 973,010                                              |                                                    | (3,862)                                                |                                                                 | 10,317,543                                                            |                                                                                     |                                                   |                                                      | 692,532                                   | 692,532                             | 246,641                                                            | 06/15/2045                                     | 1FE                                                          |
| 30229G-AO-9          | EXTRA SPACE STORAGE LP              | C.B.         | 09/16/2016       | VARIOUS                      |                                 | 9,428,569          | 7,300,000  | 8,835,747      | 8,791,722                                            |                                                    | (174,722)                                              |                                                                 | 9,791,469                                                             |                                                                                     |                                                   |                                                      | (362,930)                                 | (362,930)                           | 104,106                                                            | 10/01/2035                                     | 1                                                            |
| 30231G-AH-2          | EXXON MOBIL CORPORATION             |              | 07/27/2016       | RBC CAPITAL MARKETS          |                                 | 13,588,800         | 12,000,000 | 12,273,150     | 12,273,150                                           |                                                    | (1,170)                                                |                                                                 | 12,271,960                                                            |                                                                                     |                                                   |                                                      | 1,316,820                                 | 1,316,820                           | 202,957                                                            | 03/01/2046                                     | 1FE                                                          |
| 30256V-AA-1          | FPL ENERGY MARKUS HDX L             |              | 07/29/2016       | SINK                         |                                 | 101,425            | 101,425    | 106,005        | 102,219                                              |                                                    | (794)                                                  |                                                                 | 101,425                                                               |                                                                                     |                                                   |                                                      |                                           |                                     | 7,698                                                              | 07/10/2018                                     | 1FE                                                          |
| 30605X-AH-1          | FINAV 2012-1A A2                    |              | 09/15/2016       | MBS PAYDOWN                  |                                 | 57,831             |            | 57,831         | 57,831                                               |                                                    | (972)                                                  |                                                                 | 57,831                                                                |                                                                                     |                                                   |                                                      |                                           |                                     | 1,624                                                              | 10/15/2042                                     | 1FE                                                          |
| 31981S-AR-4          | FINA 2016-M7 A2                     |              | 09/13/2016       | CREDIT SUISSE FIRST BOSTON   |                                 | 7,120,586          | 7,000,000  | 7,070,000      |                                                      |                                                    | (972)                                                  |                                                                 | 7,069,028                                                             |                                                                                     |                                                   |                                                      | 51,558                                    | 51,558                              | 36,448                                                             | 09/25/2026                                     | 1                                                            |
| 31963R-YT-5          | FINA 2016-M9 A2                     |              | 09/09/2016       | KCS-ALPHA CAPITAL MARKETS LP |                                 | 5,035,938          | 5,000,000  | 5,049,860      |                                                      |                                                    |                                                        |                                                                 | 5,049,860                                                             |                                                                                     |                                                   |                                                      | (19,923)                                  | (19,923)                            | 9,232                                                              | 06/25/2026                                     | 1                                                            |
| 31953R-AK-8          | UNION PACIFIC RAILROAD              |              | 07/29/2016       | SINK                         |                                 | 276,190            | 276,190    | 276,190        | 276,190                                              |                                                    |                                                        |                                                                 | 276,190                                                               |                                                                                     |                                                   |                                                      |                                           |                                     | 15,108                                                             | 05/31/2022                                     | 1                                                            |
| 346397-NU-4          | UNION PACIFIC RAILROAD              |              | 07/29/2016       | SINK                         |                                 | 257,143            | 257,143    | 257,143        |                                                      |                                                    |                                                        |                                                                 | 257,143                                                               |                                                                                     |                                                   |                                                      |                                           |                                     | 14,066                                                             | 11/15/2022                                     | 1                                                            |
|                      | FORD MOTOR CREDIT CO LLC            |              | 09/27/2016       | BANK OF AMERICA              |                                 | 11,450,300         | 10,000,000 | 11,388,200     | 10,912,675                                           |                                                    | (110,887)                                              |                                                                 | 10,801,788                                                            |                                                                                     |                                                   |                                                      | 548,513                                   | 548,513                             | 682,153                                                            | 08/02/2021                                     | 2FE                                                          |
| 354613-AJ-0          | FRANKLIN RESOURCES INC              |              | 08/08/2016       | WELLS FARGO SECURITIES LLC   |                                 | 6,261,780          | 6,000,000  | 5,985,000      | 5,989,299                                            |                                                    | 934                                                    |                                                                 | 5,990,294                                                             |                                                                                     |                                                   |                                                      | 271,547                                   | 271,547                             | 152,193                                                            | 09/15/2022                                     | 1FE                                                          |
| 35687M-AZ-0          | FREESCALE SEMICONDUCTOR             |              | 09/12/2016       | 105 350                      |                                 | 2,106,992          | 2,000,000  | 2,017,500      | 2,011,675                                            |                                                    | (2,008)                                                |                                                                 | 2,009,888                                                             |                                                                                     |                                                   |                                                      | 97,124                                    | 97,124                              | 99,000                                                             | 01/15/2022                                     | 2FE                                                          |
| 36228R-YY-6          | GSR 2003-13 1A1                     |              | 09/01/2016       | MBS PAYDOWN                  |                                 | 25,123             | 25,123     | 25,567         | 25,123                                               |                                                    | (3,380)                                                |                                                                 | 25,123                                                                |                                                                                     |                                                   |                                                      |                                           |                                     | 6,430                                                              | 10/25/2033                                     | 1FNL                                                         |
| 362341-RY-8          | GSR 2005-A96 1A1                    |              | 09/01/2016       | MBS PAYDOWN                  |                                 | 394,672            | 394,672    | 401,133        | 398,052                                              |                                                    | (3,380)                                                |                                                                 | 394,672                                                               |                                                                                     |                                                   |                                                      |                                           |                                     | 6,825                                                              | 09/25/2035                                     | 1FNL                                                         |
| 362341-RY-9          | GSR 2005-A96 2A1                    |              | 09/01/2016       | MBS PAYDOWN                  |                                 | 151,339            | 151,339    | 153,704        | 151,334                                              |                                                    | 5                                                      |                                                                 | 151,339                                                               |                                                                                     |                                                   |                                                      |                                           |                                     | 2,633                                                              | 09/25/2035                                     | 1FNL                                                         |
| 36242D-SH-9          | GSR 2005-SF 2A2                     |              | 09/01/2016       | MBS PAYDOWN                  |                                 | 52,435             | 52,435     | 52,304         | 52,354                                               |                                                    | 82                                                     |                                                                 | 52,435                                                                |                                                                                     |                                                   |                                                      |                                           |                                     | 1,732                                                              | 08/25/2035                                     | 1FNL                                                         |
| 36242D-XX-5          | GSR 2005-SF 8T                      |              | 09/01/2016       | MBS PAYDOWN                  |                                 | 39,015             | 39,015     | 37,723         | 37,723                                               |                                                    | 56                                                     |                                                                 | 39,015                                                                |                                                                                     |                                                   |                                                      |                                           |                                     | 369                                                                | 06/25/2035                                     | 4FE                                                          |
| 36242D-ET-6          | GSR 2004-10F 2A4                    |              | 09/01/2016       | MBS PAYDOWN                  |                                 | 45,106             | 45,106     | 46,281         | 45,282                                               |                                                    | (156)                                                  |                                                                 | 45,106                                                                |                                                                                     |                                                   |                                                      |                                           |                                     | 1,315                                                              | 06/25/2019                                     | 1FNL                                                         |
| 36242D-EV-5          | GSR 2004-10F 6A1                    |              | 09/01/2016       | MBS PAYDOWN                  |                                 | 20,001             | 20,001     | 20,685         | 20,111                                               |                                                    | (109)                                                  |                                                                 | 20,001                                                                |                                                                                     |                                                   |                                                      |                                           |                                     | 109                                                                | 09/25/2034                                     | 1FNL                                                         |
| 36242D-0V-2          | GSR 2004-15F 2A2                    |              | 09/01/2016       | MBS PAYDOWN                  |                                 | 37,162             | 37,162     | 36,674         | 37,056                                               |                                                    | 67                                                     |                                                                 | 37,162                                                                |                                                                                     |                                                   |                                                      |                                           |                                     | 1,123                                                              | 12/25/2034                                     | 1FNL                                                         |
| 36242D-RF-2          | GSR 2004-15F 5A1                    |              | 09/30/2016       | MBS PAYDOWN                  |                                 | 134,525            | 134,525    | 138,001        | 135,448                                              |                                                    | (922)                                                  |                                                                 | 134,525                                                               |                                                                                     |                                                   |                                                      |                                           |                                     | 4,744                                                              | 01/25/2020                                     | 2FNL                                                         |
| 36248F-AG-7          | GSIS 2011-6C3 A4                    |              | 09/01/2016       | MBS PAYDOWN                  |                                 | 60,724             | 60,724     | 66,647         | 61,269                                               |                                                    | (545)                                                  |                                                                 | 60,724                                                                |                                                                                     |                                                   |                                                      |                                           |                                     | 1,676                                                              | 03/10/2044                                     | 1FNL                                                         |
| 36250P-JD-7          | GSIS 2015-6C32 A4                   |              | 07/12/2016       | PRIOR YEAR INCOME            |                                 |                    |            |                |                                                      |                                                    |                                                        |                                                                 |                                                                       |                                                                                     |                                                   |                                                      |                                           |                                     | 25,093                                                             | 07/10/2048                                     | 1FNL                                                         |
| 36604H-AA-0          | GATX CORP 2009-1 PASS THROUGH TRUST |              | 07/29/2016       | SINK                         |                                 | 196,604            | 196,604    | 196,604        | 196,604                                              |                                                    |                                                        |                                                                 | 196,604                                                               |                                                                                     |                                                   |                                                      |                                           |                                     | 16,730                                                             | 01/02/2024                                     | 2                                                            |
| 36962Z-SH-8          | GENERAL ELECTRIC CO                 |              | 08/04/2016       | BARCLAY'S                    |                                 | 9,931,844          | 8,590,000  | 9,722,677      | 9,513,435                                            |                                                    | (101,935)                                              |                                                                 | 9,411,500                                                             |                                                                                     |                                                   |                                                      | 520,344                                   | 520,344                             | 492,741                                                            | 02/11/2021                                     | 1FE                                                          |
| 37045X-BD-7          | GENERAL MOTORS FINL CO              |              | 09/27/2016       | MORGAN STANLEY               |                                 | 10,426,100         | 10,000,000 | 9,992,800      | 9,992,658                                            |                                                    | 917                                                    |                                                                 | 9,993,574                                                             |                                                                                     |                                                   |                                                      | 432,526                                   | 432,526                             | 314,500                                                            | 11/24/2020                                     | 2FE                                                          |
| 37555B-BA-0          | GILEAD SCIENCES INC                 |              | 08/15/2016       | VARIOUS                      |                                 | 11,055,700         | 10,000,000 | 10,521,000     | 10,516,066                                           |                                                    | (5,861)                                                |                                                                 | 10,510,205                                                            |                                                                                     |                                                   |                                                      | 546,485                                   | 546,485                             | 470,000                                                            | 02/01/2020                                     | 1FE                                                          |
| 37555B-BF-9          | GILEAD SCIENCES INC                 |              | 08/16/2016       | DEUTSCHE BANK                |                                 | 2,158,380          | 2,000,000  | 2,143,160      | 2,138,343                                            |                                                    | (3,817)                                                |                                                                 | 2,139,343                                                             |                                                                                     |                                                   |                                                      | 19,037                                    | 19,037                              | 34,067                                                             | 03/01/2026                                     | 1FE                                                          |
| 38141E-45-8          | GOLDMAN SACHS GROUP INC             |              | 09/26/2016       | GOLDMAN SACHS                |                                 | 16,624,650         | 15,000,000 | 14,706,270     | 14,852,381                                           |                                                    | 24,282                                                 |                                                                 | 14,876,864                                                            |                                                                                     |                                                   |                                                      | 1,747,786                                 | 1,747,786                           | 837,604                                                            | 03/15/2020                                     | 1FE                                                          |
| 38148L-AA-4          | GOLDMAN SACHS GROUP INC             |              | 09/20/2016       | GOLDMAN SACHS                |                                 | 15,272,700         | 15,000,000 | 14,963,250     | 14,986,298                                           |                                                    | 5,499                                                  |                                                                 | 14,971,797                                                            |                                                                                     |                                                   |                                                      | 300,903                                   | 300,903                             | 357,500                                                            | 04/23/2020                                     | 1FE                                                          |
| 38480Z-AB-0          | III GRANGER INC                     |              | 08/17/2016       | SEAPORT GROUP                |                                 | 29,673,000         | 23,000,000 | 25,403,990     | 25,406,680                                           |                                                    | (5,305)                                                |                                                                 | 25,401,174                                                            |                                                                                     |                                                   |                                                      | 48,642                                    | 48,642                              | 789,028                                                            | 06/15/2045                                     | 1FE                                                          |
| 39121J-AA*-1         | GREAT RIVER ENERGY                  |              | 07/07/2016       | SINK                         |                                 | 1,674,419          | 1,674,419  | 1,674,419      | 1,674,419                                            |                                                    |                                                        |                                                                 | 1,674,419                                                             |                                                                                     |                                                   |                                                      |                                           |                                     |                                                                    | 07/07/2021                                     | 1                                                            |
| 41887S-AR-6          | HARRIS CORPORATION                  |              | 09/20/2016       | BARCLAY'S                    |                                 | 5,466,600          | 5,000,000  | 5,189,350      | 5,000,000                                            |                                                    | (1,503)                                                |                                                                 | 5,000,000                                                             |                                                                                     |                                                   |                                                      | 250,800                                   | 250,800                             | 173,504                                                            | 12/09/2021                                     | 2FE                                                          |
| 428236-BV-4          | HP INC                              |              | 08/16/2016       | BANK OF AMERICA              |                                 | 5,932,950          | 5,000,000  | 5,331,350      | 5,135,733                                            |                                                    | (2,729)                                                |                                                                 | 5,328,621                                                             |                                                                                     |                                                   |                                                      | 604,329                                   | 604,329                             | 193,722                                                            | 03/15/2020                                     | 1FE                                                          |
| 437076-BH-4          | HOME DEPOT INC                      |              | 07/27/2016       | CITICORP SECURITIES          |                                 | 11,671,950         | 10,000,000 | 10,349,900     | 10,349,900                                           |                                                    | (1,060)                                                |                                                                 | 10,348,431                                                            |                                                                                     |                                                   |                                                      | 1,323,519                                 | 1,323,519                           | 246,736                                                            | 04/01/2046                                     | 1FE                                                          |
| 44416H-AB-2          | HUDSON TRANSMISSION PARTNERS        |              | 08/31/2016       | SINK                         |                                 | 73,070             | 73,070     | 73,072         | 73,072                                               |                                                    |                                                        |                                                                 | 73,072                                                                |                                                                                     |                                                   |                                                      | (2)                                       | (2)                                 | 3,293                                                              | 05/23/2033                                     | 2Z                                                           |
| 44746Z-AB-8          | HUDON CONSULTING GROUP INC          | C.S.N.       | 09/28/2016       | VARIOUS                      |                                 | 4,332,115          | 4,300,000  | 4,424,558      | 4,424,558                                            |                                                    | (24,784)                                               |                                                                 | 4,398,774                                                             |                                                                                     |                                                   |                                                      | (67,659)                                  | (67,659)                            | 40,684                                                             | 10/07/2019                                     | 3                                                            |
| 45071K-SH-5          | IXIS 2006-HE2 IM                    |              | 09/25/2016       | MBS PAYDOWN                  |                                 | 169,527            | 169,527    | 165,966        | 165,966                                              |                                                    | 3,561                                                  |                                                                 | 169,527                                                               |                                                                                     |                                                   |                                                      |                                           |                                     | 1,479                                                              | 09/25/2035                                     | 1FNL                                                         |
| 45254H-KF-3          | IMI 2004-7 1A1                      |              | 09/25/2016       | MBS PAYDOWN                  |                                 | 254,551            | 242,779    | 253,417        | 253,417                                              |                                                    | 1,133                                                  |                                                                 | 254,551                                                               |                                                                                     |                                                   |                                                      |                                           |                                     | 2,090                                                              | 11/25/2034                                     | 1FNL                                                         |
| 45660N-BB-5          | RAST 2004-A2 1A8                    |              | 09/01/2016       | MBS PAYDOWN                  |                                 | 101,412            | 101,412    | 55,776         | 95,310                                               |                                                    | 6,102                                                  |                                                                 | 101,412                                                               |                                                                                     |                                                   |                                                      |                                           |                                     | 3,167                                                              | 05/25/2034                                     | 1FNL                                                         |
| 45660N-VH-5          | RAST 2003-A11 A9                    |              | 09/01/2016       | MBS PAYDOWN                  |                                 | 4,469              | 4,469      | 4,481          |                                                      |                                                    | (13)                                                   |                                                                 | 4,469                                                                 |                                                                                     |                                                   |                                                      |                                           |                                     | 132                                                                | 11/25/2033                                     | 1FNL                                                         |
| 45685E-AJ-5          | VOYA FINANCIAL INC                  |              | 08/11/2016       | VARIOUS                      |                                 | 17,019,280         | 15,000,000 | 15,282,545     | 15,282,545                                           |                                                    | (2,473)                                                |                                                                 | 15,280,072                                                            |                                                                                     |                                                   |                                                      | 1,739,208                                 | 1,739,208                           | 865,068                                                            | 07/15/2043                                     | 2FE                                                          |
| 45811B-AB-2          | INTEGRATED DEVICE TECH. C.S.N.      |              | 09/06/2016       | INTERNATIONAL                |                                 | 9,098,387          | 9,500,000  | 9,890,092      | 9,871,695                                            |                                                    | (36,393)                                               |                                                                 | 9,835,302                                                             |                                                                                     |                                                   |                                                      | (736,915)                                 | (736,915)                           | 69,113                                                             | 11/15/2022                                     | 2                                                            |

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

| 1                    | 2                                      | 3       | 4             | 5                        | 6                         | 7             | 8          | 9           | 10                                       | Change In Book/Adjusted Carrying Value    |                                            |                                                |                                                              |                                                                | 16                                             | 17                                       | 18                               | 19                            | 20                                                  | 21                               | 22                                       |  |
|----------------------|----------------------------------------|---------|---------------|--------------------------|---------------------------|---------------|------------|-------------|------------------------------------------|-------------------------------------------|--------------------------------------------|------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------------|------------------------------------------------|------------------------------------------|----------------------------------|-------------------------------|-----------------------------------------------------|----------------------------------|------------------------------------------|--|
|                      |                                        |         |               |                          |                           |               |            |             |                                          | 11                                        | 12                                         | 13                                             | 14                                                           | 15                                                             |                                                |                                          |                                  |                               |                                                     |                                  |                                          |  |
| CUSIP Identification | Description                            | Foreign | Disposal Date | Name of Purchaser        | Number of Shares of Stock | Consideration | Par Value  | Actual Cost | Prior Year Book/ Adjusted Carrying Value | Unrealized Valuation Increase/ (Decrease) | Current Year's (Amor- tization)/ Accretion | Current Year's Temporary Impairment Recognized | Total Change in Book/ Adjusted Carrying Value (11 + 12 - 13) | Total Foreign Exchange Change in Book/ Adjusted Carrying Value | Book/ Adjusted Carrying Value at Disposal Date | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Bond Interest/ Stock Dividends Received During Year | Stated Contractual Maturity Date | NAIC Designation or Market Indicator (a) |  |
| 45000-AR-2           | IBN CORP                               |         | 08/04/2016    | SUSUHANNA                |                           | 23,334,150    | 17,500,000 | 19,550,375  | 19,082,002                               |                                           | (61,783)                                   |                                                | (61,783)                                                     |                                                                | 19,020,219                                     |                                          | 4,313,931                        | 4,313,931                     | 1,112,689                                           | 08/01/2027                       | IFE                                      |  |
| 45906-B--1           | INTERNATIONAL FLAVORS & FRAGRANCES INC |         | 07/12/2016    | MATURITY                 |                           | 9,000,000     | 9,000,000  | 9,000,000   | 9,000,000                                |                                           |                                            |                                                |                                                              |                                                                | 9,000,000                                      |                                          |                                  |                               | 532,600                                             | 07/12/2016                       | 2                                        |  |
| 460146-QA-1          | INTERNATIONAL PAPER CO                 |         | 08/04/2016    | BARCLAY'S                |                           | 5,531,600     | 5,000,000  | 4,874,600   | 4,874,556                                |                                           | 390                                        |                                                | 390                                                          |                                                                | 4,875,486                                      |                                          | 656,114                          | 656,114                       | 188,833                                             | 06/15/2046                       | 2FE                                      |  |
| 46287-2A-2           | ISHARES BOX INVESTMENT GRADE           |         | 07/28/2016    | US SECURITIES            |                           | 19,740,402    |            | 19,359,200  |                                          |                                           |                                            |                                                |                                                              |                                                                | 19,359,200                                     |                                          | 381,202                          | 381,202                       | 53,033                                              |                                  | 2                                        |  |
| 46288-51-3           | ISHARES BOX HIGH YIELD COR ETF         |         | 08/16/2016    | J.P. MORGAN              |                           | 4,578,194     |            | 4,492,424   | 3,763,109                                |                                           |                                            |                                                |                                                              |                                                                | 4,492,424                                      |                                          | 85,770                           | 85,770                        | 138,592                                             |                                  | 4                                        |  |
| 464337-AJ-3          | LOUIS PHARMACEUTICALS INC. CB          |         | 07/20/2016    | VARIOUS                  |                           | 7,600,920     | 10,000,000 | 9,950,301   | 9,965,564                                |                                           | 3,204                                      |                                                | 3,204                                                        |                                                                | 9,968,768                                      |                                          | (2,368,249)                      | (2,368,249)                   | 68,551                                              | 11/15/2021                       | 5                                        |  |
| 466247-HP-1          | JPIMT 2004-S2 143                      |         | 09/01/2016    | MBS PAYDOWN              |                           | 158,134       | 158,134    | 160,533     | 158,860                                  |                                           |                                            |                                                |                                                              |                                                                | 158,134                                        |                                          |                                  |                               | 4,203                                               | 11/25/2019                       | IFNL                                     |  |
| 466247-K7-7          | JPIMT 2006-42 5A1                      |         | 09/01/2016    | MBS PAYDOWN              |                           | 135,679       | 135,679    | 135,415     | 135,636                                  |                                           | 43                                         |                                                | 43                                                           |                                                                | 135,679                                        |                                          |                                  |                               | 2,031                                               | 11/25/2033                       | IFNL                                     |  |
| 466247-LZ-4          | JPIMT 2005-A1 611                      |         | 09/01/2016    | MBS PAYDOWN              |                           | 162,507       | 162,507    | 158,429     | 160,689                                  |                                           | 1,808                                      |                                                | 1,808                                                        |                                                                | 162,507                                        |                                          |                                  |                               | 2,820                                               | 02/25/2035                       | IFNL                                     |  |
| 466247-QA-4          | JPIMT 2005-A3 344                      |         | 09/01/2016    | MBS PAYDOWN              |                           | 179,672       | 179,672    | 178,988     | 179,629                                  |                                           | 43                                         |                                                | 43                                                           |                                                                | 179,672                                        |                                          |                                  |                               | 2,829                                               | 06/25/2035                       | IFNL                                     |  |
| 466247-QV-2          | JPIMT 2005-A3 1142                     |         | 09/01/2016    | MBS PAYDOWN              |                           | 70,071        | 70,071     | 69,993      | 70,071                                   |                                           | 77                                         |                                                | 77                                                           |                                                                | 70,071                                         |                                          |                                  |                               | 1,081                                               | 06/25/2035                       | IFNL                                     |  |
| 46625H-HJ-7          | JPIMORGAN CHASE & CO                   |         | 08/11/2016    | J.P. MORGAN              |                           | 32,709,600    | 30,000,000 | 29,330,600  | 29,622,767                               |                                           | 44,557                                     |                                                | 44,557                                                       |                                                                | 29,667,324                                     |                                          | 3,042,276                        | 3,042,276                     | 1,066,042                                           | 10/15/2020                       | IFE                                      |  |
| 46625H-LJ-8          | JPIMORGAN CHASE & CO                   |         | 07/15/2016    | J.P. MORGAN              |                           | 51,360,700    | 50,000,000 | 50,042,350  | 50,039,863                               |                                           | (5,136)                                    |                                                | (5,136)                                                      |                                                                | 50,034,227                                     |                                          | 1,326,473                        | 1,326,473                     | 789,097                                             | 06/23/2020                       | IFE                                      |  |
| 466275-AA-2          | PALIT 2007-S1 A1                       |         | 09/25/2016    | MBS PAYDOWN              |                           | 335,701       | 335,701    | 302,970     | 332,255                                  |                                           | 3,446                                      |                                                | 3,446                                                        |                                                                | 335,701                                        |                                          |                                  |                               | 1,612                                               | 04/25/2047                       | IFNL                                     |  |
| 466287-AL-3          | JPICC 2006-LDP7 A1                     |         | 09/01/2016    | MBS PAYDOWN              |                           | 9,283,238     | 9,283,238  | 10,144,114  | 9,355,288                                |                                           | (72,030)                                   |                                                | (72,030)                                                     |                                                                | 9,283,238                                      |                                          |                                  |                               | 237,162                                             | 04/17/2045                       | IFNL                                     |  |
| 46629V-AC-3          | JPICC 2007-CB18 A4                     |         | 09/30/2016    | MBS PAYDOWN              |                           | 1,265,152     | 1,265,152  | 1,445,436   | 1,267,057                                |                                           | (1,905)                                    |                                                | (1,905)                                                      |                                                                | 1,265,152                                      |                                          |                                  |                               | 10,829                                              | 06/12/2047                       | IFNL                                     |  |
| 46630S-AS-4          | JPIMT 2007-A1 542                      |         | 09/01/2016    | MBS PAYDOWN              |                           | 214,688       | 214,688    | 213,178     | 214,335                                  |                                           | 353                                        |                                                | 353                                                          |                                                                | 214,688                                        |                                          |                                  |                               | 3,462                                               | 07/25/2035                       | IFNL                                     |  |
| 46636V-AC-0          | JPICC 2011-C5 A3                       |         | 09/01/2016    | MBS PAYDOWN              |                           | 1,525,444     | 1,525,444  | 1,588,654   | 1,531,307                                |                                           | (5,863)                                    |                                                | (5,863)                                                      |                                                                | 1,525,444                                      |                                          |                                  |                               | 42,420                                              | 08/15/2046                       | IFNL                                     |  |
| 46637T-AA-8          | JPICC 2012-HLON A                      |         | 09/01/2016    | MBS PAYDOWN              |                           | 56,586        | 56,586     | 60,100      |                                          |                                           |                                            |                                                |                                                              |                                                                | 56,586                                         |                                          |                                  |                               | 363                                                 | 05/05/2030                       | IFE                                      |  |
| 475160-BV-5          | JOHNSON & JOHNSON                      |         | 07/27/2016    | SUSUHANNA                |                           | 11,461,600    | 10,000,000 | 9,980,200   | 9,982,903                                |                                           | (99)                                       |                                                | (99)                                                         |                                                                | 9,989,101                                      |                                          | 1,472,489                        | 1,472,489                     | 154,167                                             | 03/01/2046                       | IFE                                      |  |
| 483548-JD-5          | KAMAI CORP C.S.N.                      |         | 09/30/2016    | BCP SECURITIES           |                           | 7,642,643     | 5,740,000  | 6,462,897   | 6,075,903                                |                                           | (137,123)                                  |                                                | (137,123)                                                    |                                                                | 5,938,780                                      |                                          | 1,703,863                        | 1,703,863                     | 162,765                                             | 11/15/2017                       | 3                                        |  |
| 483548-JD-5          | KERR-MCGEE/GUNISON                     |         | 08/19/2016    | PRIOR YEAR INCOME        |                           | 7,935,340     | 7,000,000  | 6,993,490   | 6,995,029                                |                                           | 328                                        |                                                | 328                                                          |                                                                | 6,996,157                                      |                                          | 939,183                          | 939,183                       | 15,437                                              | 01/30/2020                       | 2                                        |  |
| 49268E-ED-1          | KEYCORP                                |         | 08/04/2016    | SUSUHANNA                |                           | 5,259,900     | 5,000,000  | 4,581,649   | 4,581,649                                |                                           | 19,620                                     |                                                | 19,620                                                       |                                                                | 5,000,000                                      |                                          | 659,531                          | 659,531                       | 312,375                                             | 03/24/2021                       | 2FE                                      |  |
| 49456B-AF-8          | KINDER MORGAN INC/DELAWA               |         | 07/21/2016    | CITICORP SECURITIES      |                           |               |            |             |                                          |                                           |                                            |                                                |                                                              |                                                                |                                                |                                          |                                  |                               | 140,347                                             | 06/01/2025                       | 2FE                                      |  |
| 502413-BD-8          | L-3 COMMUNICATIONS CORP                |         | 09/08/2016    | COMPANY INC              |                           | 1,096,927     | 1,026,000  | 969,970     | 971,451                                  |                                           | 3,745                                      |                                                | 3,745                                                        |                                                                | 975,196                                        |                                          | 121,731                          | 121,731                       | 32,084                                              | 05/28/2024                       | 2FE                                      |  |
| 531229-AB-8          | LIBERTY MEDIA CORP C.S.N.              |         | 08/15/2016    | BARCLAY'S CAPITAL        |                           | 7,231,057     | 7,000,000  | 7,246,381   | 7,194,337                                |                                           | (15,012)                                   |                                                | (15,012)                                                     |                                                                | 7,179,325                                      |                                          | 51,732                           | 51,732                        | 79,521                                              | 10/15/2023                       | 3                                        |  |
| 534187-BE-8          | LINCOLN NATIONAL CORP                  |         | 09/20/2016    | FTN FINANCIAL SECURITIES |                           |               |            |             |                                          |                                           |                                            |                                                |                                                              |                                                                |                                                |                                          |                                  |                               |                                                     |                                  |                                          |  |
| 53585X-RA-3          | MASTR 2003-9 5A2                       |         | 09/20/2016    | CORP                     |                           | 1,770,598     | 1,750,000  | 1,694,000   |                                          |                                           | 2,408                                      |                                                | 2,408                                                        |                                                                | 1,696,408                                      |                                          | 74,189                           | 74,189                        | 31,592                                              | 03/09/2025                       | 2FE                                      |  |
| 53585X-RA-3          | MASTR 2003-9 5A2                       |         | 09/01/2016    | MBS PAYDOWN              |                           | 47,304        | 47,304     | 49,226      | 47,708                                   |                                           | (404)                                      |                                                | (404)                                                        |                                                                | 47,304                                         |                                          |                                  |                               | 1,310                                               | 10/25/2018                       | IFNL                                     |  |
| 53585X-AJ-3          | MASTR 2003-5 2A1                       |         | 08/01/2016    | MBS PAYDOWN              |                           | 44,909        | 44,909     | 45,874      | 45,002                                   |                                           | (93)                                       |                                                | (93)                                                         |                                                                | 44,909                                         |                                          |                                  |                               | 1,201                                               | 06/25/2018                       | IFNL                                     |  |
| 53584B-AE-3          | MGIC INVESTMENT CORP C.S.B.            |         | 08/02/2016    | DIRECT(1)                |                           | 8,467,790     | 6,900,000  | 7,881,369   | 7,244,933                                |                                           | (165,297)                                  |                                                | (165,297)                                                    |                                                                | 7,079,656                                      |                                          | 1,388,135                        | 1,388,135                     | 116,533                                             | 04/01/2020                       | 3FE                                      |  |
| 53584B-AG-2          | MACYS RETAIL HLDS INC                  |         | 09/23/2016    | MORGAN STANLEY           |                           | 14,089,120    | 15,000,000 | 13,261,825  | 5,240,233                                |                                           | 13,093                                     |                                                | 13,093                                                       |                                                                | 13,236,886                                     |                                          | 830,234                          | 830,234                       | 655,288                                             | 01/15/2042                       | 2FE                                      |  |
| 571903-AK-9          | MARriott INTERNATIONAL                 |         | 08/18/2016    | J.P. MORGAN              |                           | 3,143,400     | 3,000,000  | 2,978,700   | 2,984,881                                |                                           | 1,358                                      |                                                | 1,358                                                        |                                                                | 2,986,239                                      |                                          | 157,161                          | 157,161                       | 91,542                                              | 09/15/2022                       | 2FE                                      |  |
| 573394-AD-1          | MRT MID PART/ART MID FIN               |         | 07/19/2016    | MARKET ACESS             |                           | 95,800        | 100,000    | 100,000     | 100,000                                  |                                           |                                            |                                                |                                                              |                                                                | 100,000                                        |                                          | (4,200)                          | (4,200)                       | 6,787                                               | 02/15/2021                       | 4FE                                      |  |
| 576433-JE-4          | MARM 2004-13 2A1                       |         | 09/01/2016    | MBS PAYDOWN              |                           | 474,936       | 474,936    | 471,581     | 474,935                                  |                                           | 431                                        |                                                | 431                                                          |                                                                | 474,936                                        |                                          |                                  |                               | 7,931                                               | 04/21/2034                       | IFNL                                     |  |
| 576433-JF-1          | MARM 2004-13 3A1                       |         | 09/01/2016    | MBS PAYDOWN              |                           | 152,333       | 152,333    | 150,903     | 152,640                                  |                                           | (307)                                      |                                                | (307)                                                        |                                                                | 152,333                                        |                                          |                                  |                               | 2,945                                               | 11/21/2034                       | IFNL                                     |  |
| 57643X-KK-9          | SAP GLOBAL INC                         |         | 09/01/2016    | MBS PAYDOWN              |                           | 167,530       | 167,530    | 166,394     | 167,477                                  |                                           | 53                                         |                                                | 53                                                           |                                                                | 167,530                                        |                                          |                                  |                               | 6,027                                               | 05/25/2035                       | IFNL                                     |  |
| 580645-AP-4          | SAP GLOBAL INC                         |         | 08/12/2016    | EXCHANGE                 |                           | 9,982,454     | 10,000,000 | 9,981,388   |                                          |                                           | 1,244                                      |                                                | 1,244                                                        |                                                                | 9,982,632                                      |                                          | (178)                            | (178)                         | 216,333                                             | 02/15/2036                       | 2FE                                      |  |
| 582839-AE-6          | MEAD JOHNSON NUTRITION C               |         | 08/31/2016    | BANK OF AMERICA          |                           | 5,490,350     | 5,000,000  | 5,007,000   | 5,002,887                                |                                           | (514)                                      |                                                | (514)                                                        |                                                                | 5,002,373                                      |                                          | 487,978                          | 487,978                       | 207,569                                             | 11/01/2019                       | 2FE                                      |  |
| 594688-AE-5          | MEDICINES COMPANY C.S.N.               |         | 09/19/2016    | VARIOUS                  |                           | 11,090,516    | 8,600,000  | 8,738,495   | 8,720,593                                |                                           | (13,657)                                   |                                                | (13,657)                                                     |                                                                | 8,706,936                                      |                                          | 2,383,580                        | 2,383,580                     | 253,347                                             | 05/18/2022                       | 5                                        |  |
| 59837V-AJ-4          | MERCK & CO INC                         |         | 07/27/2016    | RBC CAPITAL MARKETS      |                           | 8,543,925     | 7,500,000  | 7,995,525   |                                          | (2,037)                                   |                                            |                                                | (2,037)                                                      |                                                                | 7,993,488                                      |                                          | 550,437                          | 550,437                       | 63,115                                              | 06/18/2043                       | IFE                                      |  |
| 59837V-JT-2          | MERCK & CO INC                         |         | 07/27/2016    | RBC CAPITAL MARKETS      |                           | 5,366,700     | 5,000,000  | 5,177,950   |                                          | (346)                                     |                                            |                                                | (346)                                                        |                                                                | 5,177,604                                      |                                          | 189,086                          | 189,086                       | 87,875                                              | 02/10/2045                       | IFE                                      |  |
| 59001A-AN-2          | MERTHABE HOMES CORP                    |         | 08/17/2016    | MARKET ACESS             |                           | 1,507,985     | 1,381,000  | 1,341,400   | 1,363,331                                |                                           |                                            |                                                |                                                              |                                                                | 1,365,306                                      |                                          | 142,079                          | 142,079                       | 75,963                                              | 04/15/2020                       | 3FE                                      |  |
| 590200-SH-9          | MILIT 2005-42 A1                       |         | 09/01/2016    | MBS PAYDOWN              |                           | 902,522       | 902,522    | 892,983     |                                          |                                           |                                            |                                                |                                                              |                                                                |                                                |                                          |                                  |                               |                                                     |                                  |                                          |  |

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

| 1 | CUSIP Identification | 2                                       | 3       | 4             | 5                        | 6                         | 7             | 8          | 9           | 10                                      | Change in Book/Adjusted Carrying Value   |                                         |                                                           |                                                             |                                                               | 16                                            | 17                                       | 18                               | 19                            | 20                                                 | 21                               | 22                                       |
|---|----------------------|-----------------------------------------|---------|---------------|--------------------------|---------------------------|---------------|------------|-------------|-----------------------------------------|------------------------------------------|-----------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|-----------------------------------------------|------------------------------------------|----------------------------------|-------------------------------|----------------------------------------------------|----------------------------------|------------------------------------------|
|   |                      |                                         |         |               |                          |                           |               |            |             |                                         | 11                                       | 12                                      | 13                                                        | 14                                                          | 15                                                            |                                               |                                          |                                  |                               |                                                    |                                  |                                          |
|   |                      | Description                             | Foreign | Disposal Date | Name of Purchaser        | Number of Shares of Stock | Consideration | Par Value  | Actual Cost | Prior Year Book/Adjusted Carrying Value | Unrealized Valuation Increase/(Decrease) | Current Year's (Amortization)/Accretion | Current Year's Other Than Temporary Impairment Recognized | Total Change in Book/Adjusted Carrying Value (11 + 12 - 13) | Total Foreign Exchange Change in Book/Adjusted Carrying Value | Book/Adjusted Carrying Value at Disposal Date | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Bond Interest/Stock Dividends Received During Year | Stated Contractual Maturity Date | NAIC Designation or Market Indicator (a) |
|   | 5913P-AA-0           | 1HL 2004-1 A1                           |         | 09/25/2016    | MBS PAYDOWN              |                           | 965,218       | 965,218    | 920,727     | 960,624                                 |                                          | 4,584                                   |                                                           | 4,584                                                       |                                                               | 965,218                                       |                                          |                                  |                               | 7,782                                              | 11/25/2034                       | IFN                                      |
|   | 6191R-AU-0           | 1HL 2005-5 A1                           |         | 09/25/2016    | MBS PAYDOWN              |                           | 1,040,413     | 1,040,413  | 964,582     | 1,036,373                               |                                          | 4,040                                   |                                                           | 4,040                                                       |                                                               | 1,040,413                                     |                                          | (41,410)                         | (41,410)                      | 4,908                                              | 12/25/2035                       | IFN                                      |
|   | 62913T-AC-6          | NGL ENRG PART LP/FIN CO                 |         | 07/19/2016    | MARKET ACCESS            |                           | 463,590       | 505,000    | 505,000     | 505,000                                 |                                          |                                         |                                                           |                                                             |                                                               | 505,000                                       |                                          |                                  |                               | 26,656                                             | 10/15/2021                       | 4FE                                      |
|   | 6394B-AJ-9           | NBCUNIVERSAL MEDIA LLC                  |         | 08/04/2016    | MBS PAYDOWN              |                           | 5,635,200     | 5,000,000  | 5,500,800   |                                         | (1,665)                                  |                                         |                                                           | (1,665)                                                     |                                                               | 5,498,135                                     |                                          | 136,065                          | 136,065                       | 126,083                                            | 01/15/2043                       | IFE                                      |
|   | 64072T-AC-9          | CSC HOLDINGS LLC                        |         | 09/12/2016    | BARCLAY'S                |                           | 2,678,125     | 2,500,000  | 2,481,250   | 2,481,185                               |                                          | 2,058                                   |                                                           | 2,058                                                       |                                                               | 2,483,244                                     |                                          | 194,881                          | 194,881                       | 154,583                                            | 10/15/2025                       | 3FE                                      |
|   | 64079*-JB-8          | NEPTUNE REGIONAL TRANSMISSION PRIV PLCE |         | 09/30/2016    | SINK                     |                           | 202,232       | 202,232    | 202,232     | 202,232                                 |                                          |                                         |                                                           |                                                             |                                                               | 202,232                                       |                                          |                                  |                               | 9,419                                              | 06/30/2027                       | 2FE                                      |
|   | 6410L-AG-1           | NETFLIX INC                             |         | 07/19/2016    | SUNTRUST EQUITABLE       |                           | 4,366,500     | 4,100,000  | 4,133,941   | 4,131,267                               |                                          | (1,650)                                 |                                                           | (1,650)                                                     |                                                               | 4,129,616                                     |                                          | 236,884                          | 236,884                       | 210,210                                            | 03/01/2024                       | 4FE                                      |
|   | 64352I-JK-8          | NOCT 2004-4 M2                          |         | 09/25/2016    | MBS PAYDOWN              |                           | 44,662        | 44,662     | 38,243      |                                         |                                          |                                         |                                                           | 381                                                         |                                                               | 44,662                                        |                                          |                                  |                               | 167                                                | 02/25/2035                       | IFN                                      |
|   | 64632I-AD-6          | NY & PRESBYTERIAN HOSPIT                |         | 09/20/2016    | RBC CAPITAL MARKETS      |                           | 2,119,320     | 2,000,000  | 1,999,920   |                                         | (103)                                    |                                         |                                                           | (103)                                                       |                                                               | 1,999,817                                     |                                          | 119,503                          | 119,503                       | 19,186                                             | 08/01/2036                       | IFE                                      |
|   | 651223-AU-0          | NEHELL BRANDS INC                       |         | 09/15/2016    | CITICORP SECURITIES      |                           | 3,118,440     | 3,000,000  | 2,995,030   |                                         | 415                                      |                                         |                                                           | 415                                                         |                                                               | 2,995,465                                     |                                          | 122,975                          | 122,975                       | 44,625                                             | 04/01/2021                       | 2FE                                      |
|   | 65171B-AC-2          | NEIPARK RESOURCES S.C.N.                |         | 09/21/2016    | VARIOUS                  |                           | 7,622,461     | 7,820,000  | 8,590,206   | 7,314,165                               |                                          | (120,653)                               |                                                           | (120,653)                                                   |                                                               | 7,984,328                                     |                                          | (361,867)                        | (361,867)                     | 288,924                                            | 10/01/2017                       | 4FE                                      |
|   | 654106-AE-3          | NIKE INC                                |         | 07/15/2016    | BARCLAY'S                |                           | 11,210,500    | 10,000,000 | 9,907,000   | 9,906,857                               |                                          | 902                                     |                                                           | 902                                                         |                                                               | 1,302,741                                     |                                          | 1,302,741                        |                               | 280,937                                            | 11/01/2045                       | IFE                                      |
|   | 655664-AR-1          | NORSTROM INC                            |         | 09/21/2016    | VARIOUS                  |                           | 17,493,090    | 17,000,000 | 16,886,270  | 16,890,498                              |                                          | 792                                     |                                                           | 792                                                         |                                                               | 16,891,290                                    |                                          | 601,800                          | 601,800                       | 925,278                                            | 01/15/2044                       | 2FE                                      |
|   | 67020Y-AH-3          | NUANCE COMMUNICATIONS C.B.              |         | 09/19/2016    | VARIOUS                  |                           | 7,870,318     | 9,000,000  | 9,036,000   | 9,037,880                               |                                          | (1,201)                                 |                                                           | (1,201)                                                     |                                                               | 9,036,679                                     |                                          | (1,166,361)                      | (1,166,361)                   | 69,109                                             | 12/15/2035                       | 3FE                                      |
|   | 67066G-AC-8          | NVIDIA CB                               |         | 09/30/2016    | CONVERSION               |                           | 23,060,507    | 7,000,000  | 9,596,562   | 7,534,692                               |                                          | (199,303)                               |                                                           | (199,303)                                                   |                                                               | 7,395,369                                     |                                          | 15,685,118                       | 15,685,118                    | 35,000                                             | 12/01/2018                       | 2FE                                      |
|   | 68389X-AU-9          | ORACLE CORP                             |         | 07/05/2016    | RBC CAPITAL MARKETS      |                           | 6,454,260     | 6,000,000  | 5,996,360   | 5,988,084                               |                                          | 663                                     |                                                           | 663                                                         |                                                               | 5,988,747                                     |                                          | 465,513                          | 465,513                       | 204,000                                            | 07/08/2024                       | IFE                                      |
|   | 696825-AA-0          | PANACHE ENERGY CENTER                   |         | 08/31/2016    | SINK                     |                           | 523,401       | 523,401    | 542,856     | 524,612                                 |                                          | (1,211)                                 |                                                           | (1,211)                                                     |                                                               | 523,401                                       |                                          | 36,036                           | 36,036                        | 36,036                                             | 07/31/2023                       | 2FE                                      |
|   | 70109H-AU-5          | PARKER-HANFIFIN CORP                    |         | 07/28/2016    | BARCLAY'S                |                           | 7,182,720     | 6,000,000  | 6,393,900   |                                         | (3,289)                                  |                                         |                                                           | (3,289)                                                     |                                                               | 6,390,611                                     |                                          | 792,109                          | 792,109                       | 186,158                                            | 11/21/2044                       | IFE                                      |
|   | 717081-DE-0          | PFIZER INC                              |         | 07/28/2016    | VARIOUS                  |                           | 11,392,200    | 10,000,000 | 11,211,800  |                                         | (3,927)                                  |                                         |                                                           | (3,927)                                                     |                                                               | 11,207,873                                    |                                          | 184,327                          | 184,327                       | 271,139                                            | 06/15/2043                       | IFE                                      |
|   | 718172-AU-9          | PHILIP MORRIS INTL INC                  |         | 07/29/2016    | BARCLAY'S                |                           | 2,207,020     | 2,000,000  | 2,165,280   |                                         | (259)                                    |                                         |                                                           | (259)                                                       |                                                               | 2,165,021                                     |                                          | 41,999                           | 41,999                        | 34,146                                             | 03/04/2043                       | IFE                                      |
|   | 72650R-BH-4          | PLAINS ALL ABER PIPELINE                |         | 07/14/2016    | VARIOUS                  |                           | 9,539,400     | 10,000,000 | 8,051,500   |                                         | 4,108                                    |                                         |                                                           | 4,108                                                       |                                                               | 8,055,608                                     |                                          | 1,483,792                        | 1,483,792                     | 206,888                                            | 02/15/2045                       | 2FE                                      |
|   | 74160M-CS-9          | PRIME 2003-3 A9                         |         | 09/01/2016    | MBS PAYDOWN              |                           | 361,769       | 361,769    | 381,440     | 364,427                                 |                                          | (2,658)                                 |                                                           | (2,658)                                                     |                                                               | 361,769                                       |                                          |                                  |                               | 10,995                                             | 01/25/2034                       | IFN                                      |
|   | 74251V-AA-0          | PRINCIPAL FINANCIAL GRP                 |         | 07/06/2016    | INC                      |                           | 5,094,480     | 4,000,000  | 3,973,720   | 3,977,104                               |                                          | 281                                     |                                                           | 281                                                         |                                                               | 3,977,385                                     |                                          | 1,117,095                        | 1,117,095                     | 178,811                                            | 10/15/2036                       | 2FE                                      |
|   | 74634L-AV-6          | QUEST DIAGNOSTICS INC                   |         | 08/31/2016    | J.P. MORGAN              |                           | 1,091,180     | 1,000,000  | 1,014,668   | 1,014,668                               |                                          | (193)                                   |                                                           | (193)                                                       |                                                               | 1,014,475                                     |                                          | 76,705                           | 76,705                        | 43,867                                             | 03/30/2045                       | 2FE                                      |
|   | 74838J-AA-9          | QUIDEL CORP                             | C.S.N.  | 09/21/2016    | BARCLAY'S CAPITAL        |                           | 6,896,406     | 6,900,000  | 7,044,750   | 7,020,873                               |                                          | (17,035)                                |                                                           | (17,035)                                                    |                                                               | 7,003,838                                     |                                          | (107,432)                        | (107,432)                     | 174,907                                            | 12/15/2020                       | 4                                        |
|   | 756109-JP-9          | REALTY INCOME CORP                      |         | 08/31/2016    | WELLS FARGO SECURITIES   |                           | 5,534,600     | 5,000,000  | 4,998,750   | 4,990,949                               |                                          | 652                                     |                                                           | 652                                                         |                                                               | 4,991,601                                     |                                          | 542,989                          | 542,989                       | 255,104                                            | 08/01/2023                       | 2FE                                      |
|   | 75972T-AB-9          | RENEWABLE ENERGY GROUP INC CB           |         | 09/26/2016    | VARIOUS                  |                           | 7,363,552     | 7,000,000  | 7,046,289   |                                         | (605)                                    |                                         |                                                           | (605)                                                       |                                                               | 7,765,907                                     |                                          | (362,355)                        | (362,355)                     | 90,611                                             | 06/15/2036                       | 4Z                                       |
|   | 761118-KU-1          | RALI 2005-003 A1                        |         | 09/25/2016    | MBS PAYDOWN              |                           | 230,787       | 230,787    | 223,801     |                                         | 6,986                                    |                                         |                                                           | 6,986                                                       |                                                               | 230,787                                       |                                          |                                  |                               | 1,359                                              | 10/25/2045                       | IFN                                      |
|   | 761126-SE-1          | RAC 2005-SPT 1A5                        |         | 09/01/2016    | MBS PAYDOWN              |                           | 453,707       | 453,707    | 460,513     | 456,715                                 |                                          | (3,008)                                 |                                                           | (3,008)                                                     |                                                               | 453,707                                       |                                          |                                  |                               | 12,723                                             | 09/25/2034                       | IFN                                      |
|   | 761565-AE-0          | REX ENERGY CORP                         |         | 07/13/2016    | EXCHANGE                 |                           | 474,164       | 4,030,000  | 423,150     |                                         | 38,376                                   |                                         |                                                           | 38,376                                                      |                                                               | 481,526                                       |                                          | (7,362)                          | (7,362)                       |                                                    | 10/01/2020                       | 5Z                                       |
|   | 776696-AA-4          | ROPER TECHNOLOGIES INC C.B.             |         | 08/30/2016    | TENDER                   |                           | 14,060,103    | 6,200,000  | 2,795,300   | 3,175,248                               |                                          | 105,844                                 |                                                           | 105,844                                                     |                                                               | 3,281,093                                     |                                          | 10,779,010                       | 10,779,010                    | 34,100                                             | 01/15/2034                       | 2FE                                      |
|   | 78387G-AQ-6          | AT&T INC                                |         | 09/08/2016    | EXCHANGE                 |                           | 12,381,313    | 10,000,000 | 9,683,300   | 9,737,979                               |                                          | 6,118                                   |                                                           | 6,118                                                       |                                                               | 9,744,097                                     |                                          | 2,637,216                        | 2,637,216                     | 601,333                                            | 09/15/2034                       | 2FE                                      |
|   | 78532*-JD-5          | SABINE MINING COMPANY                   |         | 08/21/2016    | SINK                     |                           | 312,500       | 312,500    | 315,500     | 312,519                                 |                                          |                                         |                                                           |                                                             |                                                               | 312,519                                       |                                          | (19)                             | (19)                          | 14,313                                             | 02/21/2032                       | 2                                        |
|   | 811701-AB-5          | SEACOR HOLDINGS C.S.N.                  |         | 08/03/2016    | VARIOUS                  |                           | 8,095,920     | 10,300,000 | 10,446,060  | 10,372,488                              |                                          | (20,698)                                |                                                           | (20,698)                                                    |                                                               | 10,351,791                                    |                                          | (2,255,871)                      | (2,255,871)                   | 216,165                                            | 11/15/2028                       | 4FE                                      |
|   | 81744L-AZ-7          | SENT 2007-2 1A2                         |         | 09/20/2016    | MBS PAYDOWN              |                           | 241,295       | 5,300,000  | 219,029     | 238,718                                 |                                          | 2,577                                   |                                                           | 2,577                                                       |                                                               | 241,295                                       |                                          |                                  |                               | 1,025                                              | 06/20/2036                       | IFN                                      |
|   | 81744M-AA-0          | SENT 2007-3 1A1                         |         | 09/20/2016    | MBS PAYDOWN              |                           | 315,558       | 315,558    | 291,150     | 313,441                                 |                                          | 2,117                                   |                                                           | 2,117                                                       |                                                               | 315,558                                       |                                          |                                  |                               | 1,345                                              | 07/20/2036                       | IFN                                      |
|   | 82346B-AS-5          | SHERWIN-WILLIAMS CO                     |         | 07/28/2016    | VARIOUS                  |                           | 10,842,500    | 10,000,000 | 10,633,750  | 5,163,943                               |                                          | (4,971)                                 |                                                           | (4,971)                                                     |                                                               | 10,627,522                                    |                                          | 214,978                          | 214,978                       | 343,146                                            | 08/01/2045                       | IFE                                      |
|   | 826418-BK-0          | SIERRA PACIFIC POWER CO                 |         | 07/27/2016    | WELLS FARGO SECURITIES   |                           | 5,097,250     | 5,000,000  | 4,987,250   |                                         | 224                                      |                                         |                                                           | 224                                                         |                                                               | 4,987,474                                     |                                          | 109,776                          | 109,776                       | 38,278                                             | 05/01/2026                       | 1FE                                      |
|   | 828259-AR-1          | SINGULAR TELEVISION GROU                |         | 09/22/2016    | ROBERT W. BAIRD & CO,    |                           | 51,250        | 50,000     | 50,063      | 50,051                                  |                                          | (7)                                     |                                                           | (7)                                                         |                                                               | 50,045                                        |                                          | 1,205                            | 1,205                         | 3,250                                              | 08/01/2024                       | 4FE                                      |
|   | 83616F-AB-4          | SOURCEGAS                               |         | 08/31/2016    | SINK                     |                           | 15,000,000    | 15,000,000 | 15,000,000  | 15,000,000                              |                                          |                                         |                                                           |                                                             |                                                               | 15,000,000                                    |                                          | 558,217                          | 558,217                       | 1,735,380                                          | 09/29/2019                       | 3                                        |
|   | 837004-CQ-3          | SOUTH CAROLINA ELECTRICAS               |         | 08/24/2016    | SEACOR GROUP             |                           | 5,591,087     | 5,300,000  | 5,591,087   |                                         | (2,980)                                  |                                         |                                                           | (2,980)                                                     |                                                               | 2,496,696                                     |                                          | 50,879                           | 50,879                        | 172,014                                            | 06/15/2043                       | IFE                                      |
|   | 842587-CS-4          | SOUTHERN CO                             |         | 08/10/2016    | BARCLAY'S                |                           | 2,547,575     | 2,500,000  | 2,496,600   |                                         | 96                                       |                                         |                                                           | 96                                                          |                                                               | 2,496,696                                     |                                          |                                  |                               | 13,219                                             | 07/01/2021                       | 2FE                                      |
|   | 844895-AV-0          | SOUTHWEST GAS CORP                      |         | 09/26/2016    | CANTOR, FITZGERALD & CO, |                           | 5,039,050     | 5,000,000  | 4,984,900   |                                         |                                          |                                         |                                                           |                                                             |                                                               | 4,984,900                                     |                                          | 54,150                           | 54,150                        | 6,294                                              | 09/29/2046                       | 2FE                                      |
|   | 846609-AA-1          | SPIRITS OF ST LOUIS BASKETBALL CLUB LLC |         | 09/30/2016    | INC                      |                           |               |            |             |                                         |                                          |                                         |                                                           |                                                             |                                                               |                                               |                                          |                                  |                               |                                                    |                                  |                                          |



SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

| 1                    | 2                                         | 3       | 4             | 5                          | 6                         | 7             | 8          | 9           | 10                                       | Change In Book/Adjusted Carrying Value    |                                            |                                                             |                                                              |                                                                | 16                                             | 17                                       | 18                               | 19                            | 20                                                  | 21                                 | 22                                       |      |
|----------------------|-------------------------------------------|---------|---------------|----------------------------|---------------------------|---------------|------------|-------------|------------------------------------------|-------------------------------------------|--------------------------------------------|-------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------------|------------------------------------------------|------------------------------------------|----------------------------------|-------------------------------|-----------------------------------------------------|------------------------------------|------------------------------------------|------|
|                      |                                           |         |               |                            |                           |               |            |             |                                          | 11                                        | 12                                         | 13                                                          | 14                                                           | 15                                                             |                                                |                                          |                                  |                               |                                                     |                                    |                                          |      |
| CUSIP Identification | Description                               | Foreign | Disposal Date | Name of Purchaser          | Number of Shares of Stock | Consideration | Par Value  | Actual Cost | Prior Year Book/ Adjusted Carrying Value | Unrealized Valuation Increase/ (Decrease) | Current Year's (Amor- tization)/ Accretion | Current Year's Other Than Temporary Impairment Recog- nized | Total Change in Book/ Adjusted Carrying Value (11 + 12 - 13) | Total Foreign Exchange Change in Book/ Adjusted Carrying Value | Book/ Adjusted Carrying Value at Disposal Date | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Bond Interest/ Stock Dividends Received During Year | Stated Con- tractual Maturity Date | NAIC Designation or Market Indicator (a) |      |
| 86359A-PD-0          | ARC 2002-8C9 IH                           |         | 09/25/2016    | MBS PAYDOWN                |                           | 195,166       | 195,166    | 172,966     |                                          |                                           | 1,276                                      |                                                             | 1,276                                                        |                                                                | 195,166                                        |                                          |                                  |                               |                                                     | 1,990                              | 12/25/2032                               | IFNL |
| 86359A-IG-3          | SASC 2003-29 2A1                          |         | 09/01/2016    | MBS PAYDOWN                |                           | 59,224        | 59,224     | 59,439      |                                          |                                           | (215)                                      |                                                             | (215)                                                        |                                                                | 59,224                                         |                                          |                                  |                               |                                                     | 1,814                              | 09/25/2023                               | IFNL |
| 86359B-J6-9          | SASC 2004-20 7A1                          |         | 09/01/2016    | MBS PAYDOWN                |                           | 68,950        | 68,950     | 69,242      |                                          |                                           | (53)                                       |                                                             | (53)                                                         |                                                                | 68,950                                         |                                          |                                  |                               |                                                     | 2,328                              | 11/25/2034                               | IFNL |
| 86359B-PQ-8          | SARM 2004-S 3A1                           |         | 09/01/2016    | MBS PAYDOWN                |                           | 601,889       | 601,889    | 595,113     |                                          |                                           | 734                                        |                                                             | 734                                                          |                                                                | 601,889                                        |                                          |                                  |                               |                                                     | 10,203                             | 05/25/2034                               | IFNL |
| 86359B-TC-5          | SARM 2004-S 3A1                           |         | 09/01/2016    | MBS PAYDOWN                |                           | 208,951       | 208,951    | 209,865     |                                          |                                           | (191)                                      |                                                             | (191)                                                        |                                                                | 208,951                                        |                                          |                                  |                               |                                                     | 3,441                              | 06/25/2034                               | IFNL |
| 86359B-TJ-0          | SARM 2004-S 5A4                           |         | 09/01/2016    | MBS PAYDOWN                |                           | 218,158       | 218,158    | 224,487     |                                          |                                           | (1,260)                                    |                                                             | (1,260)                                                      |                                                                | 218,158                                        |                                          |                                  |                               |                                                     | 3,760                              | 06/25/2034                               | IFNL |
| 86359L-DX-4          | SAMI 2004-A95 1A1                         |         | 09/19/2016    | MBS PAYDOWN                |                           | 174,043       | 174,043    | 165,721     |                                          |                                           | 1,277                                      |                                                             | 1,277                                                        |                                                                | 174,043                                        |                                          |                                  |                               |                                                     | 1,204                              | 10/19/2034                               | IFNL |
| 86359L-PL-4          | SAMI 2004-A97 A1A                         |         | 09/19/2016    | MBS PAYDOWN                |                           | 63,929        | 63,929     | 61,448      |                                          |                                           | 724                                        |                                                             | 724                                                          |                                                                | 63,929                                         |                                          |                                  |                               |                                                     | 593                                | 04/19/2035                               | IFNL |
| 86359R-AD-8          | SASC 2006-R24 A4                          |         | 09/25/2016    | MBS PAYDOWN                |                           | 274,958       | 274,958    | 228,387     |                                          |                                           | 5,601                                      |                                                             | 5,601                                                        |                                                                | 274,958                                        |                                          |                                  |                               |                                                     | 798                                | 12/25/2036                               | IFNL |
| 86366D-AA-8          | SARM 2007-7 1A1                           |         | 09/25/2016    | MBS PAYDOWN                |                           | 38,256        | 38,256     | 37,788      |                                          |                                           | 2,094                                      |                                                             | 2,094                                                        |                                                                | 38,256                                         |                                          |                                  |                               |                                                     | 179                                | 08/25/2037                               | IFNL |
| 87053*-AA-1          | SWEETWATER INVESTORS II, LLC              |         | 09/28/2016    | SINK                       |                           | 1,117,619     | 1,117,619  | 1,117,619   |                                          |                                           |                                            |                                                             |                                                              |                                                                | 1,117,619                                      |                                          |                                  |                               |                                                     | 27,665                             | 03/01/2026                               | 2FE  |
| 87124EY-AC-2         | TIAL ASSET MGMT FIN LLC                   |         | 07/08/2016    | DEUTSCHE BANK              |                           | 19,556,325    | 18,478,910 | 18,478,910  |                                          |                                           | 894                                        |                                                             | 894                                                          |                                                                | 18,480,966                                     |                                          |                                  |                               |                                                     | 529,318                            | 11/01/2024                               | 2FE  |
| 88160R-AC-5          | TARGET CORP                               |         | 07/29/2016    | BARCLAY'S                  |                           | 13,565,240    | 13,000,000 | 13,109,970  |                                          |                                           | (304)                                      |                                                             | (304)                                                        |                                                                | 13,109,666                                     |                                          |                                  |                               |                                                     | 145,302                            | 04/15/2046                               | IFE  |
| 88160R-AC-5          | C.S.N.                                    |         | 08/09/2016    | VARIOUS                    |                           | 8,189,701     | 9,500,000  | 9,344,067   |                                          |                                           | 13,313                                     |                                                             | 13,313                                                       |                                                                | 9,396,243                                      |                                          |                                  |                               |                                                     | 111,910                            | 03/01/2021                               | 4FE  |
| 88522Y-AB-5          | TRIST 2007-4 2A1                          |         | 09/01/2016    | MBS PAYDOWN                |                           | 592,137       | 592,137    | 581,156     |                                          |                                           | 223                                        |                                                             | 223                                                          |                                                                | 592,137                                        |                                          |                                  |                               |                                                     | 8,218                              | 09/25/2037                               | IFNL |
| 886546-AD-2          | TIFFANY & CO                              |         | 08/31/2016    | COMPANY INC                |                           | 10,250,830    | 10,000,000 | 10,282,730  |                                          |                                           | (2,848)                                    |                                                             | (2,848)                                                      |                                                                | 10,275,665                                     |                                          |                                  |                               |                                                     | 416,908                            | 10/01/2044                               | 2FE  |
| 88947E-AK-6          | TOLL BROS FINANCE CORP                    |         | 08/24/2016    | CITICORP SECURITIES        |                           | 4,380,000     | 4,000,000  | 4,568,000   |                                          |                                           | (40,277)                                   |                                                             | (40,277)                                                     |                                                                | 4,568,163                                      |                                          |                                  |                               |                                                     | 244,139                            | 02/15/2022                               | 3FE  |
| 89102T-AQ-7          | TORCHMARK CORP                            |         | 09/20/2016    | KEY BANK                   |                           | 1,500,000     | 1,500,000  | 1,513,185   |                                          |                                           | (857)                                      |                                                             | (857)                                                        |                                                                | 1,508,452                                      |                                          |                                  |                               |                                                     | 89,267                             | 09/15/2022                               | 2FE  |
| 89417E-AL-3          | TRAVELERS COS INC                         |         | 07/27/2016    | J.P. MORGAN                |                           | 10,630,100    | 10,000,000 | 10,000,000  |                                          |                                           |                                            |                                                             |                                                              |                                                                | 10,000,000                                     |                                          |                                  |                               |                                                     | 83,333                             | 05/15/2046                               | IFE  |
| 895945-DH-7          | TRICOM WELL SERVICE LTD                   | 6       | 08/31/2016    | SINK                       |                           | 1,898,903     | 1,898,903  | 1,898,903   |                                          |                                           |                                            |                                                             |                                                              |                                                                | 1,898,903                                      |                                          |                                  |                               |                                                     | 110,676                            | 04/28/2021                               | 5    |
| 90214G-AA-5          | 2014 ESA PROJECT COMPANY LLC              |         | 07/29/2016    | SINK                       |                           | 38,012        | 38,012     | 38,012      |                                          |                                           |                                            |                                                             |                                                              |                                                                | 38,012                                         |                                          |                                  |                               |                                                     | 3,586                              | 03/30/2030                               | 2FE  |
| 90268T-AJ-3          | 2014 REPLACEMENT POWER STATUTORY TRUST (  |         | 09/30/2016    | SINK                       |                           | 277,625       | 277,625    | 277,625     |                                          |                                           |                                            |                                                             |                                                              |                                                                | 277,625                                        |                                          |                                  |                               |                                                     | 6,240                              | 05/31/2029                               | 1Z   |
| 90268T-AJ-3          | UBSC 2011-C1 AS                           |         | 08/23/2016    | BARCLAY'S                  |                           | 4,603,594     | 4,000,000  | 4,567,741   |                                          |                                           | (60,228)                                   |                                                             | (60,228)                                                     |                                                                | 4,507,514                                      |                                          |                                  |                               |                                                     | 151,757                            | 01/10/2045                               | IFNL |
| 90369B-AB-6          | USTA NATIONAL TENNIS CENTER, INC.         |         | 07/29/2016    | SINK                       |                           | 170,426       | 170,426    | 170,426     |                                          |                                           |                                            |                                                             |                                                              |                                                                | 170,426                                        |                                          |                                  |                               |                                                     | 6,953                              | 09/08/2039                               | 1    |
| 907818-DR-6          | UNION PACIFIC CORP                        |         | 09/15/2016    | PIERPOINT SECURITIES       |                           | 2,169,060     | 2,000,000  | 1,948,280   |                                          |                                           | 3,205                                      |                                                             | 3,205                                                        |                                                                | 1,961,282                                      |                                          |                                  |                               |                                                     | 80,009                             | 02/15/2039                               | IFE  |
| 907818-DU-9          | UNION PACIFIC CORP                        |         | 09/13/2016    | BANK OF AMERICA            |                           | 11,726,900    | 10,000,000 | 10,560,000  |                                          |                                           | (7,916)                                    |                                                             | (7,916)                                                      |                                                                | 10,546,531                                     |                                          |                                  |                               |                                                     | 354,931                            | 12/15/2043                               | IFE  |
| 910017-CA-5          | UNITED TECHNOLOGIES CORP                  |         | 07/27/2016    | BOSTON                     |                           | 16,278,570    | 14,500,000 | 14,207,860  |                                          |                                           | 2,710                                      |                                                             | 2,710                                                        |                                                                | 14,213,191                                     |                                          |                                  |                               |                                                     | 427,911                            | 05/15/2045                               | IFE  |
| 91049J-AA-2          | VZ(ER NOTE) CITI PASS-THROUGH TRUST CERT  |         | 09/15/2016    | SINK                       |                           | 115,072       | 115,072    | 115,072     |                                          |                                           |                                            |                                                             |                                                              |                                                                | 115,072                                        |                                          |                                  |                               |                                                     | 2,803                              | 05/15/2035                               | 2    |
| 91913Y-AI-7          | VALERO ENERGY CORP                        |         | 09/20/2016    | VARIOUS                    |                           | 11,569,380    | 12,000,000 | 11,951,037  |                                          |                                           | 1,157                                      |                                                             | 1,157                                                        |                                                                | 11,952,195                                     |                                          |                                  |                               |                                                     | 586,094                            | 03/15/2045                               | 2FE  |
| 92403X-AA-8          | VERINT SYSTEMS INC                        | C.S.N.  | 08/16/2016    | VARIOUS                    |                           | 9,337,400     | 8,200,000  | 9,397,938   |                                          |                                           | (121,449)                                  |                                                             | (121,449)                                                    |                                                                | 9,125,441                                      |                                          |                                  |                               |                                                     | 85,658                             | 06/01/2021                               | 4FE  |
| 92553B-AP-7          | VIACOM INC                                |         | 09/28/2016    | GOLDMAN SACHS              |                           | 4,293,350     | 5,000,000  | 4,761,500   |                                          |                                           | 3,486                                      |                                                             | 3,486                                                        |                                                                | 4,769,865                                      |                                          |                                  |                               |                                                     | 229,688                            | 03/15/2043                               | 2FE  |
| 92553B-AW-2          | VIACOM INC                                |         | 09/22/2016    | J.P. MORGAN                |                           | 4,968,300     | 5,000,000  | 5,252,400   |                                          |                                           | (2,798)                                    |                                                             | (2,798)                                                      |                                                                | 5,243,574                                      |                                          |                                  |                               |                                                     | 259,983                            | 04/01/2044                               | 2FE  |
| 92783Y-AA-4          | VIRGINIA INTERNATIONAL GATEWAY, INC       |         | 09/30/2016    | SINK                       |                           | 27,480        | 27,480     | 27,480      |                                          |                                           |                                            |                                                             |                                                              |                                                                | 27,480                                         |                                          |                                  |                               |                                                     | 810                                | 06/30/2030                               | IFE  |
| 92867T-AC-9          | VALET 2014-2 A3                           |         | 09/20/2016    | MBS PAYDOWN                |                           | 600,880       | 600,880    | 599,026     |                                          |                                           | 509                                        |                                                             | 509                                                          |                                                                | 600,880                                        |                                          |                                  |                               |                                                     | 721                                | 04/22/2019                               | IFE  |
| 92938K-AG-3          | WFBIS 2014-Q24 AS                         |         | 08/04/2016    | WELLS FARGO SECURITIES LLC |                           | 7,364,355     | 6,650,000  | 6,884,828   |                                          |                                           | (13,909)                                   |                                                             | (13,909)                                                     |                                                                | 6,899,196                                      |                                          |                                  |                               |                                                     | 180,083                            | 11/15/2047                               | IFNL |
| 93142T-AN-8          | WALGREENS BOOTS ALLIANCE                  |         | 07/20/2016    | BARCLAY'S                  |                           | 5,105,250     | 5,000,000  | 4,997,200   |                                          |                                           | (10)                                       |                                                             | (10)                                                         |                                                                | 4,997,190                                      |                                          |                                  |                               |                                                     | 19,500                             | 06/01/2021                               | 2FE  |
| 94170V-AF-9          | WEBMD HEALTH CORP                         | CS      | 08/29/2016    | VARIOUS                    |                           | 7,980,067     | 7,600,000  | 8,392,573   |                                          |                                           | (182,111)                                  |                                                             | (182,111)                                                    |                                                                | 8,140,462                                      |                                          |                                  |                               |                                                     | 110,665                            | 01/31/2018                               | 3    |
| 94555S-AC-0          | WEBKLEY HOMES LLC/ FINAN                  |         | 07/12/2016    | BOSTON                     |                           | 2,189,600     | 2,380,000  | 2,386,833   |                                          |                                           | (57)                                       |                                                             | (57)                                                         |                                                                | 2,384,353                                      |                                          |                                  |                               |                                                     | 136,453                            | 02/01/2023                               | 5FE  |
| 94973V-AT-4          | ANTEHE INC                                |         | 09/08/2016    | WIZHPC SECURITIES          |                           | 12,494,200    | 10,000,000 | 10,377,900  |                                          |                                           | (4,550)                                    |                                                             | (4,550)                                                      |                                                                | 10,341,785                                     |                                          |                                  |                               |                                                     | 625,111                            | 08/15/2040                               | 2FE  |
| 94974B-9E-4          | WELLS FARGO & COMPANY                     |         | 08/09/2016    | WELLS FARGO SECURITIES LLC |                           | 5,407,050     | 5,000,000  | 4,965,600   |                                          |                                           | 304                                        |                                                             | 304                                                          |                                                                | 4,966,241                                      |                                          |                                  |                               |                                                     | 179,542                            | 11/04/2044                               | IFE  |
| 949757-AD-6          | WFBIS 2004-6 A4                           |         | 09/01/2016    | MBS PAYDOWN                |                           | 310,377       | 310,377    | 330,600     |                                          |                                           |                                            |                                                             |                                                              |                                                                | 310,377                                        |                                          |                                  |                               |                                                     | 9,800                              | 06/25/2034                               | IFNL |
| 949758-AD-8          | WFBIS 2004-0 A1                           |         | 09/01/2016    | MBS PAYDOWN                |                           | 338,334       | 338,334    | 339,915     |                                          |                                           | (1,581)                                    |                                                             | (1,581)                                                      |                                                                | 338,334                                        |                                          |                                  |                               |                                                     | 5,646                              | 08/25/2034                               | IFNL |
| 949769-AA-1          | WFBIS 2003-L 1A1                          |         | 09/01/2016    | MBS PAYDOWN                |                           | 15,485        | 15,485     | 15,614      |                                          |                                           |                                            |                                                             |                                                              |                                                                | 15,485                                         |                                          |                                  |                               |                                                     | 238                                | 11/25/2033                               | IFNL |
| 949779-AB-8          | WFBIS 2004-EE 2A1                         |         | 09/01/2016    | MBS PAYDOWN                |                           | 275,820       | 275,820    | 277,272     |                                          |                                           | (217)                                      |                                                             | (217)                                                        |                                                                | 275,820                                        |                                          |                                  |                               |                                                     | 4,673                              | 12/25/2034                               | IFNL |
| 94978A-9E-6          | LEGS MASON MORTGAGE CAPITAL C PRIVY PLACE |         | 09/30/2016    | SINK                       |                           | 129,400       | 129,400    | 130,076     |                                          |                                           | (26)                                       |                                                             | (26)                                                         |                                                                | 129,400                                        |                                          |                                  |                               |                                                     | 4,723                              | 02/01/2028                               | 2    |
| 94980B-AP-4          | WFBIS 2003-J 2A1                          |         | 09/01/2016    | MBS PAYDOWN                |                           | 87,358        | 87,358     | 88,448      |                                          |                                           | (167)                                      |                                                             | (167)                                                        |                                                                | 87,358                                         |                                          |                                  |                               |                                                     | 1,417                              | 10/25/2033                               | IFNL |
| 94980P-AH-4          | WFBIS 2004-L A8                           |         | 09/01/2016    | MBS PAYDOWN                |                           | 20,438        | 20,438     | 21,047      |                                          |                                           | 9                                          |                                                             | 9                                                            |                                                                | 20,438                                         |                                          |                                  |                               |                                                     | 343                                | 07/25/2034                               | IFNL |
| 94980Q-AH-2          | WFBIS 2004-II A8                          |         | 09/01/2016    | MBS PAYDOWN                |                           | 125,586       | 125,586    | 127,195     |                                          |                                           | (187)                                      |                                                             | (187)                                                        |                                                                | 125,586                                        |                                          |                                  |                               |                                                     | 1,938                              | 11/25/2034                               | IFNL |
| 94980Q-AJ-8          | WFBIS 2004-II A9                          |         | 09/01/2016    | MBS PAYDOWN                |                           | 500,302       | 500,302    | 488,608     |                                          |                                           | 1,344                                      |                                                             | 1,344                                                        |                                                                | 500,302                                        |                                          |                                  |                               |                                                     | 7,719                              | 11/25/2034                               | IFNL |
| 94980R-AD-9          | WFBIS 2004-Z 2A2                          |         | 09/01/2016    | MBS PAYDOWN                |                           | 335,182       | 335,182    | 328,374     |                                          |                                           | 709                                        |                                                             | 709                                                          |                                                                | 335,182                                        |                                          |                                  |                               |                                                     | 5,546                              | 12/25/2034                               | IFNL |
| 949810-AF-7          | WFBIS 2004-R 2A1                          |         | 09/01/2016    | MBS PAYDOWN                |                           | 131,717       | 131,717    | 131,142     |                                          |                                           | 115                                        |                                                             | 115                                                          |                                                                | 131,717                                        |                                          |                                  |                               |                                                     | 2,157                              | 09/25/2034                               | IFNL |
| 949810-AF-5          | WFBIS 2005-AR16 3A2                       |         | 09/01/2016    | MBS PAYDOWN                |                           |               |            |             |                                          |                                           |                                            |                                                             |                                                              |                                                                |                                                |                                          |                                  |                               |                                                     |                                    |                                          |      |

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

| 1                     | 2                                        | 3            | 4                | 5                    | 6                               | 7                  | 8         | 9              | 10                                                   | Change In Book/Adjusted Carrying Value             |                                                        |                                                                     |                                                                                   |                                                                                     | 16                                                            | 17                                                   | 18                                        | 19                                  | 20                                                                 | 21                                             | 22                                                                |
|-----------------------|------------------------------------------|--------------|------------------|----------------------|---------------------------------|--------------------|-----------|----------------|------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|---------------------------------------------------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------|-------------------------------------------|-------------------------------------|--------------------------------------------------------------------|------------------------------------------------|-------------------------------------------------------------------|
|                       |                                          |              |                  |                      |                                 |                    |           |                |                                                      | 11                                                 | 12                                                     | 13                                                                  | 14                                                                                | 15                                                                                  |                                                               |                                                      |                                           |                                     |                                                                    |                                                |                                                                   |
| CUSIP Ident-ification | Description                              | For-<br>eign | Disposal<br>Date | Name<br>of Purchaser | Number of<br>Shares of<br>Stock | Consid-<br>eration | Par Value | Actual<br>Cost | Prior Year<br>Book/<br>Adjusted<br>Carrying<br>Value | Unrealized<br>Valuation<br>Increase/<br>(Decrease) | Current<br>Year's<br>(Amor-<br>tization)/<br>Accretion | Current<br>Other Than<br>Temporary<br>Impairment<br>Recog-<br>nized | Total<br>Change In<br>Book/<br>Adjusted<br>Carrying<br>Value<br>(11 + 12 -<br>13) | Total<br>Foreign<br>Exchange<br>Change In<br>Book/<br>Adjusted<br>Carrying<br>Value | Book/<br>Adjusted<br>Carrying<br>Value at<br>Disposal<br>Date | Foreign<br>Exchange<br>Gain<br>(Loss) on<br>Disposal | Realized<br>Gain<br>(Loss) on<br>Disposal | Total Gain<br>(Loss) on<br>Disposal | Bond<br>Interest/<br>Stock<br>Dividends<br>Received<br>During Year | Stated<br>Con-<br>tractual<br>Maturity<br>Date | NAIC<br>Desig-<br>nation<br>or<br>Market<br>In-<br>dicator<br>(a) |
| 94982A-WH-5           | IFBIS 2004-Y 3A1                         |              | 09/01/2016       | MBS PAYDOWN          |                                 | 553,326            | 553,326   | 557,174        | 553,148                                              |                                                    | 178                                                    |                                                                     | 178                                                                               |                                                                                     | 553,326                                                       |                                                      |                                           |                                     | 9,056                                                              | 11/25/2034                                     | IFIL                                                              |
| 94982B-AO-4           | IFBIS 2005-2 2A1                         |              | 09/01/2016       | MBS PAYDOWN          |                                 | 116,089            | 116,089   | 116,590        | 116,215                                              |                                                    | (126)                                                  |                                                                     | (126)                                                                             |                                                                                     | 116,089                                                       |                                                      |                                           |                                     | 3,310                                                              | 04/25/2020                                     | IFIL                                                              |
| 94982J-AO-5           | IFBIS 2005-6 4A                          |              | 09/01/2016       | MBS PAYDOWN          |                                 | 120,867            | 120,867   | 123,965        | 121,288                                              |                                                    | (431)                                                  |                                                                     | (431)                                                                             |                                                                                     | 120,867                                                       |                                                      |                                           |                                     | 3,800                                                              | 06/25/2035                                     | IFIL                                                              |
| 94983C-AJ-6           | IFBIS 2005-AR10 2A6                      |              | 09/01/2016       | MBS PAYDOWN          |                                 | 253,727            | 253,727   | 251,745        | 253,250                                              |                                                    | 477                                                    |                                                                     | 477                                                                               |                                                                                     | 253,727                                                       |                                                      |                                           |                                     | 4,195                                                              | 06/25/2035                                     | IFIL                                                              |
| 94983C-AJ-9           | IFBIS 2005-AR10 2A17                     |              | 09/01/2016       | MBS PAYDOWN          |                                 | 612,622            | 612,622   | 621,811        | 614,041                                              |                                                    | (1,420)                                                |                                                                     | (1,420)                                                                           |                                                                                     | 612,622                                                       |                                                      |                                           |                                     | 10,142                                                             | 06/25/2035                                     | IFIL                                                              |
| 94983E-AH-6           | IFBIS 2005-AR12 2A5                      |              | 09/01/2016       | MBS PAYDOWN          |                                 | 216,190            | 216,190   | 207,561        | 215,056                                              |                                                    | 1,134                                                  |                                                                     | 1,134                                                                             |                                                                                     | 216,190                                                       |                                                      |                                           |                                     | 3,685                                                              | 06/25/2035                                     | IFIL                                                              |
| 94985T-BC-1           | IFBIS 2007-3 3A1                         |              | 09/01/2016       | MBS PAYDOWN          |                                 | 15,946             | 15,946    | 16,503         | 16,074                                               |                                                    | (128)                                                  |                                                                     | (128)                                                                             |                                                                                     | 15,946                                                        |                                                      |                                           |                                     | 512                                                                | 04/25/2022                                     | IFIL                                                              |
| 95059X-AB-4           | IFEN 2015-1A A211                        |              | 09/30/2016       | MBS PAYDOWN          |                                 | 25,000             | 25,000    | 25,000         | 25,000                                               |                                                    |                                                        |                                                                     |                                                                                   | 25,000                                                                              |                                                               |                                                      |                                           |                                     | 765                                                                | 06/15/2045                                     | 2FE                                                               |
| 95082P-AH-8           | IFESD DISTRIBUTION CORPORATE             |              | 09/07/2016       | VARIOUS              |                                 | 10,379,321         | 4,936,000 | 5,857,094      | 5,037,839                                            |                                                    | (99,433)                                               |                                                                     | (99,433)                                                                          |                                                                                     | 4,936,406                                                     |                                                      | 5,440,916                                 |                                     | 291,074                                                            | 09/15/2029                                     | 4FE                                                               |
| 96188P-AA-6           | IFETT HOLDINGS LLC                       |              | 09/30/2016       | SINK                 |                                 | 44,444             | 44,444    | 44,444         | 44,444                                               |                                                    |                                                        |                                                                     |                                                                                   | 44,444                                                                              |                                                               |                                                      |                                           |                                     | 1,437                                                              | 12/18/2024                                     | 2FE                                                               |
| 96611X-AA-2           | WILLFLOWER ENERGY LP                     |              | 09/30/2016       | SINK                 |                                 | 207,822            | 207,822   | 207,822        | 207,822                                              |                                                    |                                                        |                                                                     |                                                                                   | 207,822                                                                             |                                                               | (298)                                                |                                           |                                     | 9,604                                                              | 09/30/2021                                     | 2                                                                 |
| 96628P-AH-6           | WILLIAM BLAIR & COMPANY                  |              | 09/30/2016       | SINK                 |                                 | 56,696             | 56,696    | 56,696         | 56,696                                               |                                                    |                                                        |                                                                     |                                                                                   | 56,696                                                                              |                                                               |                                                      |                                           |                                     | 2,318                                                              | 01/15/2032                                     | 2Z                                                                |
| 96628P-FP-7           | BECKWELL INDUSTRIAL CHAMPAIGN INC (KRAFT |              | 09/30/2016       | SINK                 |                                 | 163,046            | 163,046   | 168,087        | 163,217                                              |                                                    | (170)                                                  |                                                                     | (170)                                                                             |                                                                                     | 163,046                                                       |                                                      |                                           |                                     | 4,860                                                              | 01/15/2035                                     | 2                                                                 |
| 96930*-AA-1           | FIRST ENERGY - WILLIAM BLAIR CTL         |              | 09/15/2016       | SINK                 |                                 | 301,370            | 301,370   | 301,744        | 301,412                                              |                                                    | (42)                                                   |                                                                     | (42)                                                                              |                                                                                     | 301,370                                                       |                                                      | (638,000)                                 |                                     | 7,586                                                              | 06/15/2025                                     | 2                                                                 |
| 969490-AE-1           | CLAYTON WILLIAMS ENERGY                  |              | 07/25/2016       | INC                  |                                 | 5,162,000          | 5,800,000 | 5,800,000      | 5,800,000                                            |                                                    |                                                        |                                                                     |                                                                                   |                                                                                     | 5,800,000                                                     |                                                      | (638,000)                                 |                                     | 370,838                                                            | 04/01/2019                                     | 6FE                                                               |
| A00616-22-0           | CARMAX AUTO SUPERSTORES, INC.            |              | 07/11/2016       | EXCHANGE             |                                 | 2,000,000          | 2,000,000 | 2,000,000      | 2,000,000                                            |                                                    |                                                        |                                                                     |                                                                                   |                                                                                     | 2,000,000                                                     |                                                      |                                           |                                     |                                                                    | 06/22/2028                                     | 2Z                                                                |
| A00622-16-0           | CARMAX AUTO SUPERSTORES, INC.            |              | 07/11/2016       | EXCHANGE             |                                 | 500,000            | 500,000   | 500,000        | 500,000                                              |                                                    |                                                        |                                                                     |                                                                                   |                                                                                     | 500,000                                                       |                                                      |                                           |                                     |                                                                    | 06/22/2023                                     | 2Z                                                                |
| A00622-61-6           | CARMAX AUTO SUPERSTORES, INC.            |              | 07/11/2016       | EXCHANGE             |                                 | 2,000,000          | 2,000,000 | 2,000,000      | 2,000,000                                            |                                                    |                                                        |                                                                     |                                                                                   |                                                                                     | 2,000,000                                                     |                                                      |                                           |                                     |                                                                    | 06/22/2026                                     | 2Z                                                                |
| LY1278-65-9           | APEX TOOLS TLB                           |              | 09/30/2016       | SINK                 |                                 | 15,431             | 15,431    | 15,045         | 15,310                                               |                                                    | 120                                                    |                                                                     | 120                                                                               |                                                                                     | 15,431                                                        |                                                      |                                           |                                     | 1,058                                                              | 02/01/2020                                     | 4FE                                                               |
| LY1282-99-0           | ACODYNE (SILVER 11) TLB                  |              | 08/29/2016       | VARIOUS              |                                 | 3,908,691          | 3,908,691 | 3,956,965      | 3,614,965                                            |                                                    | 40,248                                                 |                                                                     | 40,248                                                                            |                                                                                     | 3,655,233                                                     |                                                      | (136,489)                                 |                                     | 107,424                                                            | 12/19/2019                                     | 4FE                                                               |
| LY1283-21-2           | BERRY PLASTICS TLD                       |              | 09/30/2016       | SINK                 |                                 | 64,975             | 64,975    | 64,289         | 39,001                                               |                                                    | 201                                                    |                                                                     | 201                                                                               |                                                                                     | 64,975                                                        |                                                      |                                           |                                     | 2,834                                                              | 02/08/2020                                     | 9FE                                                               |
| LY1284-80-6           | ASCION LLC TLF B-1                       |              | 09/30/2016       | SINK                 |                                 | 500,195            | 500,195   | 499,904        | 498,998                                              |                                                    | 1,197                                                  |                                                                     | 1,197                                                                             |                                                                                     | 500,195                                                       |                                                      |                                           |                                     | 19,060                                                             | 05/24/2019                                     | 4FE                                                               |
| LY1289-08-5           | SCIENTIFIC GAMES TLB                     |              | 09/30/2016       | SINK                 |                                 | 27,386             | 27,386    | 27,235         | 27,351                                               |                                                    | 35                                                     |                                                                     | 35                                                                                |                                                                                     | 27,386                                                        |                                                      |                                           |                                     | 1,241                                                              | 10/18/2020                                     | 4FE                                                               |
| LY1284-67-3           | IMMOCOR TLB-2                            |              | 09/30/2016       | SINK                 |                                 | 14,702             | 14,702    | 14,387         | 14,600                                               |                                                    | 101                                                    |                                                                     | 101                                                                               |                                                                                     | 14,702                                                        |                                                      |                                           |                                     | 1,889                                                              | 08/17/2018                                     | 4FE                                                               |
| LY1288-16-1           | MONITRONICS TLB                          |              | 09/30/2016       | SINK                 |                                 | 4,883,694          | 4,883,694 | 4,877,789      | 4,878,345                                            |                                                    | 5,549                                                  |                                                                     | 5,549                                                                             |                                                                                     | 4,883,694                                                     |                                                      |                                           |                                     | 157,980                                                            | 03/23/2018                                     | 4FE                                                               |
| LY1290-99-3           | DWEXY TLB B2                             |              | 09/30/2016       | SINK                 |                                 | 18,457             | 18,457    | 18,319         | 18,394                                               |                                                    | 62                                                     |                                                                     | 62                                                                                |                                                                                     | 18,457                                                        |                                                      |                                           |                                     | 478                                                                | 04/23/2020                                     | 9FE                                                               |
| LY1293-46-8           | CHARTER COMMUNICATIONS TLF               |              | 09/30/2016       | SINK                 |                                 | 51,210             | 51,210    | 51,251         | 51,210                                               |                                                    | (5)                                                    |                                                                     | (5)                                                                               |                                                                                     | 51,210                                                        |                                                      |                                           |                                     | 2,104                                                              | 01/03/2021                                     | 9FE                                                               |
| LY1297-29-7           | WAG ACQUISITION CORP TLB                 |              | 07/27/2016       | SINK                 |                                 | 1,672,782          | 1,672,782 | 1,668,039      | 1,670,157                                            |                                                    | 2,625                                                  |                                                                     | 2,625                                                                             |                                                                                     | 1,672,782                                                     |                                                      |                                           |                                     | 30,897                                                             | 07/01/2020                                     | 4FE                                                               |
| LY1301-23-8           | CHRISTHEIM HEALTH 1ST LIEN               |              | 09/30/2016       | VARIOUS              |                                 | 5,086,101          | 5,086,101 | 5,067,086      | 5,068,221                                            |                                                    | 423                                                    |                                                                     | 423                                                                               |                                                                                     | 5,068,643                                                     |                                                      | (226,543)                                 |                                     | 205,784                                                            | 06/07/2019                                     | 4FE                                                               |
| LY1316-98-2           | BOYD GAMING TLF                          |              | 09/29/2016       | SINK                 |                                 | 3,522,472          | 3,522,472 | 3,460,555      | 3,511,277                                            |                                                    | 11,194                                                 |                                                                     | 11,194                                                                            |                                                                                     | 3,522,472                                                     |                                                      |                                           |                                     | 89,397                                                             | 06/14/2020                                     | 9FE                                                               |
| LY1332-13-4           | DOLE FOOD TLF                            |              | 09/30/2016       | SINK                 |                                 | 23,586             | 23,586    | 23,529         | 23,566                                               |                                                    | 56                                                     |                                                                     | 56                                                                                |                                                                                     | 23,586                                                        |                                                      |                                           |                                     | 382                                                                | 11/01/2018                                     | 4FE                                                               |
|                       | HILTON WORLDWIDE TLB-1                   |              | 08/18/2016       | EXCHANGE             |                                 | 3,529,467          | 3,510,109 | 3,543,281      | 3,244,097                                            |                                                    | (2,950)                                                |                                                                     | (2,950)                                                                           |                                                                                     | 3,529,305                                                     |                                                      | 162                                       |                                     | 102,620                                                            | 10/26/2020                                     | 9FE                                                               |
| LY1335-81-4           | BU'S WHOLESALE 1ST LIEN                  |              | 09/30/2016       | VARIOUS              |                                 | 26,387             | 26,387    | 26,019         | 18,638                                               |                                                    | 136                                                    |                                                                     | 136                                                                               |                                                                                     | 26,387                                                        |                                                      |                                           |                                     | 2,325                                                              | 06/26/2019                                     | 4FE                                                               |
| LY1342-69-5           | USI INSURANCE TLB (AKA COMPASS)          |              | 09/30/2016       | SINK                 |                                 | 12,064             | 12,064    | 12,016         | 12,058                                               |                                                    | 6                                                      |                                                                     | 6                                                                                 |                                                                                     | 12,064                                                        |                                                      |                                           |                                     | 403                                                                | 12/27/2019                                     | 4FE                                                               |
| LY1344-87-3           | INFER US INC TLB-5                       |              | 09/30/2016       | SINK                 |                                 | 154,955            | 154,955   | 154,955        | 154,955                                              |                                                    |                                                        |                                                                     |                                                                                   | 154,955                                                                             |                                                               |                                                      |                                           | 2,707                               | 06/03/2020                                                         | 4FE                                            |                                                                   |
| LY1349-26-0           | UNIVISION COMM TLF C4                    |              | 09/22/2016       | SINK                 |                                 | 31,641             | 31,641    | 31,807         | 18,384                                               |                                                    | 19                                                     |                                                                     | 19                                                                                |                                                                                     | 31,641                                                        |                                                      |                                           |                                     | 204                                                                | 03/07/2020                                     | 4FE                                                               |
| LY1349-51-8           | AXALTA COATING SYSTEMS 1ST LIEN          |              | 09/30/2016       | SINK                 |                                 | 18,131             | 18,131    | 18,031         | 18,069                                               |                                                    | 62                                                     |                                                                     | 62                                                                                |                                                                                     | 18,131                                                        |                                                      |                                           |                                     | 406                                                                | 02/01/2020                                     | 9FE                                                               |
| LY1359-08-7           | NEIMAN MARCUS TLB                        |              | 07/29/2016       | SINK                 |                                 | 45,344             | 45,344    | 45,012         | 45,318                                               |                                                    | 26                                                     |                                                                     | 26                                                                                |                                                                                     | 45,344                                                        |                                                      |                                           |                                     | 962                                                                | 10/25/2020                                     | 4FE                                                               |
| LY1360-51-5           | KINDRED HEALTHCARE TLB                   |              | 09/30/2016       | SINK                 |                                 | 50,218             | 50,218    | 49,887         | 50,218                                               |                                                    | 184                                                    |                                                                     | 184                                                                               |                                                                                     | 50,218                                                        |                                                      |                                           |                                     | 380                                                                | 04/09/2021                                     | 9FE                                                               |
| LY1366-09-0           | TIME INC TLB-D0                          |              | 09/30/2016       | SINK                 |                                 | 12,443             | 12,443    | 12,366         | 12,366                                               |                                                    | 51                                                     |                                                                     | 51                                                                                |                                                                                     | 12,443                                                        |                                                      |                                           |                                     | 380                                                                | 04/24/2021                                     | 9FE                                                               |
| LY1370-65-4           | ORTHO-CLINICAL DIAGNOSTICS TLB           |              | 09/30/2016       | SINK                 |                                 | 88,510             | 88,510    | 86,820         | 88,510                                               |                                                    | 366                                                    |                                                                     | 366                                                                               |                                                                                     | 88,510                                                        |                                                      |                                           |                                     | 3,836                                                              | 06/30/2021                                     | 4FE                                                               |
| LY1366-86-8           | CONOLLY CORP (COTIVITI) 2ND LIEN         |              | 09/28/2016       | SINK                 |                                 | 545,283            | 545,283   | 544,329        | 539,584                                              |                                                    | 5,689                                                  |                                                                     | 5,689                                                                             |                                                                                     | 545,283                                                       |                                                      |                                           |                                     | 38,180                                                             | 05/14/2022                                     | 5FE                                                               |
| LY1378-51-7           | GATES GLOBAL 1ST LIEN                    |              | 09/30/2016       | SINK                 |                                 | 37,499             | 37,499    | 37,369         | 37,405                                               |                                                    | 95                                                     |                                                                     | 95                                                                                |                                                                                     | 37,499                                                        |                                                      |                                           |                                     | 1,047                                                              | 07/06/2021                                     | 4FE                                                               |
| LY1332-67-0           | HUNTSMAN 2014-1 ADDITIONAL TLB           |              | 09/30/2016       | SINK                 |                                 | 7,614              | 7,614     | 7,643          | 7,776                                                |                                                    | 199                                                    |                                                                     | 199                                                                               |                                                                                     | 7,614                                                         |                                                      |                                           |                                     | 18                                                                 | 10/01/2021                                     | 9FE                                                               |
| LY1400-73-3           | TECOMET INC 1ST LIEN                     |              | 09/30/2016       | SINK                 |                                 | 37,975             | 37,975    | 36,076         | 37,975                                               |                                                    |                                                        |                                                                     |                                                                                   | 37,975                                                                              |                                                               |                                                      |                                           |                                     | 1,664                                                              | 12/05/2021                                     | 4FE                                                               |
| LY1409-66-8           | JELD-HEN TLB                             |              | 09/30/2016       | SINK                 |                                 | 10,050             | 10,050    | 10,050         | 10,050                                               |                                                    |                                                        |                                                                     |                                                                                   | 10,050                                                                              |                                                               | (12,544)                                             |                                           |                                     | 402                                                                | 10/15/2021                                     | 4FE                                                               |
| LY141                 |                                          |              |                  |                      |                                 |                    |           |                |                                                      |                                                    |                                                        |                                                                     |                                                                                   |                                                                                     |                                                               |                                                      |                                           |                                     |                                                                    |                                                |                                                                   |

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

| 1                    | 2                                       | 3       | 4             | 5                          | 6                         | 7             | 8          | 9           | 10                                       | Change In Book/Adjusted Carrying Value    |                                            |                                            |                                                              |                                                                | 16                                             | 17                                       | 18                               | 19                            | 20                                                  | 21                                 | 22                                       |     |
|----------------------|-----------------------------------------|---------|---------------|----------------------------|---------------------------|---------------|------------|-------------|------------------------------------------|-------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------------------------|----------------------------------------------------------------|------------------------------------------------|------------------------------------------|----------------------------------|-------------------------------|-----------------------------------------------------|------------------------------------|------------------------------------------|-----|
|                      |                                         |         |               |                            |                           |               |            |             |                                          | 11                                        | 12                                         | 13                                         | 14                                                           | 15                                                             |                                                |                                          |                                  |                               |                                                     |                                    |                                          |     |
| CUSIP Identification | Description                             | Foreign | Disposal Date | Name of Purchaser          | Number of Shares of Stock | Consideration | Par Value  | Actual Cost | Prior Year Book/ Adjusted Carrying Value | Unrealized Valuation Increase/ (Decrease) | Current Year's (Amor- tization)/ Accretion | Current Other Than Impairment Recog- nized | Total Change in Book/ Adjusted Carrying Value (11 + 12 - 13) | Total Foreign Exchange Change in Book/ Adjusted Carrying Value | Book/ Adjusted Carrying Value at Disposal Date | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Bond Interest/ Stock Dividends Received During Year | Stated Con- tractual Maturity Date | NAIC Designation or Market Indicator (a) |     |
| LY1444-84-0          | PERSMART TLB                            |         | 07/29/2016    | SINK                       |                           | 34,912        | 34,912     | 35,086      | 34,922                                   |                                           | (10)                                       | (10)                                       |                                                              |                                                                | 34,912                                         |                                          |                                  |                               |                                                     | 386                                | 03/11/2022                               | 3FE |
| LY1366-95-0          | CONNOLLY CORP (COTIVITI) 1ST LIEN       |         | 09/28/2016    | SINK                       |                           | 6,515,627     | 6,515,627  | 6,530,929   | 6,528,745                                |                                           | (13,118)                                   | (13,118)                                   |                                                              |                                                                | 6,515,627                                      |                                          |                                  |                               |                                                     | 213,376                            | 05/14/2021                               | 4FE |
| LY1448-98-3          | BASS PRO GROUP TLB                      |         | 09/30/2016    | SINK                       |                           | 55,026        | 55,026     | 54,879      | 23,459                                   |                                           | 63                                         |                                            |                                                              |                                                                | 55,026                                         |                                          |                                  |                               |                                                     | 1,101                              | 06/05/2020                               | 4FE |
| LY1447-75-9          | TRANSITION TLB-2                        |         | 09/30/2016    | SINK                       |                           | 29,846        | 29,846     | 29,745      | 29,783                                   |                                           | 63                                         |                                            |                                                              |                                                                | 29,846                                         |                                          |                                  |                               |                                                     | 698                                | 04/09/2021                               | 4FE |
| LY1450-28-2          | DOLLAR TREE TLB-1                       |         | 09/22/2016    | SINK                       |                           | 12,326,723    | 12,326,723 | 12,328,555  | 12,326,816                               |                                           | (93)                                       |                                            |                                                              |                                                                | 12,326,723                                     |                                          |                                  |                               |                                                     | (561,982)                          | 05/26/2022                               | 3FE |
| LY1453-15-3          | TI GROUP AUTO TLB                       | E       | 09/30/2016    | SINK                       |                           | 37,676        | 37,676     | 37,665      |                                          |                                           | 67                                         |                                            |                                                              |                                                                | 37,676                                         |                                          |                                  |                               |                                                     | 808                                | 06/30/2022                               | 3FE |
| LY1319-21-7          | MEDIA GENERAL TL                        |         | 09/30/2016    | SINK                       |                           | 177,468       | 177,468    | 176,742     |                                          |                                           | 919                                        |                                            |                                                              |                                                                | 177,468                                        |                                          |                                  |                               |                                                     | 4,862                              | 07/31/2020                               | 3FE |
| LY1456-94-1          | MINERALS TECHNOLOGIES INC TLB1          |         | 07/01/2016    | VARIOUS                    |                           | (225,773)     |            |             | 3,229,314                                |                                           |                                            |                                            |                                                              |                                                                |                                                |                                          | (225,773)                        |                               |                                                     | (23,433)                           | 05/09/2021                               | 3FE |
| LY1453-76-5          | TRIBUNE MEDIA TLB                       |         | 09/30/2016    | SINK                       |                           | 20,326        | 20,326     | 20,288      | 20,263                                   |                                           | 64                                         |                                            |                                                              |                                                                | 20,326                                         |                                          |                                  |                               |                                                     | 387                                | 12/27/2020                               | 3FE |
| LY1467-61-7          | HOSTESS BRANDS LLC 1ST LIEN             |         | 09/30/2016    | SINK                       |                           | 7,500         |            |             | 20,263                                   |                                           | 27                                         |                                            |                                                              |                                                                |                                                |                                          |                                  |                               |                                                     | 162                                | 08/03/2022                               | 4FE |
| LY1253-56-1          | NAVISTAR INTERNATIONAL TLB              |         | 08/17/2016    | VARIOUS                    |                           | 3,814,619     | 4,034,619  | 4,049,458   | 4,050,536                                |                                           | (2,179)                                    |                                            |                                                              |                                                                | 4,046,357                                      |                                          | (233,738)                        |                               |                                                     | 406,223                            | 08/07/2020                               | 4FE |
| LY1469-18-3          | ASURION LLC TLB-4                       |         | 09/30/2016    | SINK                       |                           | 16,250        | 16,250     | 16,169      | 16,183                                   |                                           | 67                                         |                                            |                                                              |                                                                | 16,250                                         |                                          |                                  |                               |                                                     | 620                                | 06/04/2022                               | 4FE |
| LY1470-43-9          | PARTY CITY TLB                          |         | 09/30/2016    | SINK                       |                           | 29,038        | 29,038     | 28,966      | 28,880                                   |                                           | 158                                        |                                            |                                                              |                                                                | 29,038                                         |                                          |                                  |                               |                                                     | 886                                | 08/19/2022                               | 4FE |
| LY1470-71-0          | US LBN TL 1ST LIEN                      |         | 09/30/2016    | SINK                       |                           | 10,025        | 10,025     | 9,901       | 4,950                                    |                                           | 36                                         |                                            |                                                              |                                                                | 10,025                                         |                                          |                                  |                               |                                                     | 279                                | 08/20/2022                               | 4FE |
| LY1470-95-9          | KIK CUSTOM PRODUCTS TL                  | G       | 09/30/2016    | SINK                       |                           | 25,038        | 25,038     | 24,412      | 24,981                                   |                                           | 57                                         |                                            |                                                              |                                                                | 25,038                                         |                                          |                                  |                               |                                                     | 1,641                              | 08/26/2022                               | 4FE |
| LY1472-05-4          | DELTA AIR LINES TLB                     |         | 09/30/2016    | SINK                       |                           | 7,500         | 7,500      | 7,463       | 7,497                                    |                                           | 3                                          |                                            |                                                              |                                                                | 7,500                                          |                                          |                                  |                               |                                                     | 209                                | 08/18/2022                               | 2FE |
| LY1480-60-2          | CABLEVISION SYSTEMS (NEPTUNE FINCO) TLB |         | 07/15/2016    | SINK                       |                           | 26,250        | 26,250     | 25,856      | 26,187                                   |                                           | 63                                         |                                            |                                                              |                                                                | 26,250                                         |                                          |                                  |                               |                                                     | 779                                | 10/09/2022                               | 3FE |
| LY1520-20-9          | GLOBAL PAYMENT 1ST LIEN TL              |         | 07/05/2016    | PRIOR YEAR INCOME          |                           |               |            |             |                                          |                                           |                                            |                                            |                                                              |                                                                |                                                |                                          |                                  |                               |                                                     | 110                                | 03/21/2023                               | 3FE |
| LY1499-55-2          | MILLENNIUM LABS TL                      |         | 08/18/2016    | CREDIT SUISSE FIRST BOSTON |                           | 2,456,208     | 5,053,521  | 4,063,654   |                                          |                                           | 111,136                                    |                                            |                                                              |                                                                | 4,170,247                                      |                                          | (1,714,040)                      |                               |                                                     | 260,046                            | 12/21/2020                               | 5FE |
| LY1504-25-2          | ACADIA HEALTHCARE TLB                   |         | 09/22/2016    | SINK                       |                           | 4,975,000     | 4,975,000  | 4,981,219   |                                          |                                           | (6,248)                                    |                                            |                                                              |                                                                | 4,975,000                                      |                                          |                                  |                               |                                                     | 122,624                            | 02/16/2023                               | 3FE |
| LY1514-25-1          | SELECT MEDICAL TLB- SERIES F            |         | 09/30/2016    | SINK                       |                           | 21,250        | 21,250     | 20,825      |                                          |                                           | 39                                         |                                            |                                                              |                                                                | 21,250                                         |                                          |                                  |                               |                                                     | 415                                | 03/03/2021                               | 4FE |
| LY1509-14-5          | MANITOWOC TLB                           |         | 09/30/2016    | SINK                       |                           | 92,308        | 92,308     | 91,846      |                                          |                                           | 336                                        |                                            |                                                              |                                                                | 92,308                                         |                                          |                                  |                               |                                                     | 2,297                              | 03/03/2023                               | 4FE |
| LY1512-36-2          | GCA MERGER SUB INC TL                   |         | 09/30/2016    | SINK                       |                           | 5,000         | 5,000      | 5,000       |                                          |                                           |                                            |                                            |                                                              |                                                                | 5,000                                          |                                          |                                  |                               |                                                     | 130                                | 03/01/2023                               | 4FE |
| LY1514-90-5          | KAR ACTION ON SERVICES TLB-3            |         | 09/30/2016    | SINK                       |                           | 23,250        | 23,250     | 23,139      |                                          |                                           | 21                                         |                                            |                                                              |                                                                | 23,250                                         |                                          |                                  |                               |                                                     | 345                                | 02/28/2023                               | 3FE |
| LY1520-19-1          | HUNTSMAN TLB                            |         | 09/30/2016    | SINK                       |                           | 12,500        | 12,500     | 12,516      |                                          |                                           | (5)                                        |                                            |                                                              |                                                                | 12,500                                         |                                          |                                  |                               |                                                     | 239                                | 04/01/2023                               | 3FE |
| LY1520-78-7          | PRECISE ACQUISITION CORP TL             |         | 09/30/2016    | SINK                       |                           | 32,300        | 32,300     | 32,330      |                                          |                                           | 183                                        |                                            |                                                              |                                                                | 32,300                                         |                                          |                                  |                               |                                                     | 1,966                              | 10/20/2022                               | 4FE |
| LY1521-77-7          | MGM GROWTH PROPERTIES TLB               |         | 09/30/2016    | SINK                       |                           | 12,500        | 12,500     | 12,489      |                                          |                                           | 41                                         |                                            |                                                              |                                                                | 12,500                                         |                                          |                                  |                               |                                                     | 214                                | 04/01/2023                               | 4FE |
| LY1523-96-9          | NBTY INC TLB                            |         | 09/30/2016    | SINK                       |                           | 37,500        | 37,500     | 37,488      |                                          |                                           | 38                                         |                                            |                                                              |                                                                | 37,500                                         |                                          |                                  |                               |                                                     | 267                                | 05/05/2023                               | 4FE |
| LY1524-58-1          | ATI PHYSICAL THERAPY HOLDINGS, LLC TL   |         | 09/30/2016    | VARIOUS                    |                           | 1,010,000     | 1,007,500  | 997,575     |                                          |                                           | 309                                        |                                            |                                                              |                                                                | 997,809                                        |                                          |                                  |                               |                                                     | 8,460                              | 06/10/2023                               | 4FE |
| LY1527-11-3          | MULTIFPLAN TLB                          |         | 09/30/2016    | SINK                       |                           | 605,187       | 605,187    | 610,483     |                                          |                                           | (310)                                      |                                            |                                                              |                                                                | 605,187                                        |                                          |                                  |                               |                                                     | 15,613                             | 06/07/2023                               | 4FE |
| LY1527-62-6          | CHS HEALTHCARE SERVICES INC TLB         |         | 09/30/2016    | SINK                       |                           | 7,513         | 7,513      | 7,538       |                                          |                                           | 8                                          |                                            |                                                              |                                                                | 7,513                                          |                                          |                                  |                               |                                                     | 45                                 | 05/19/2023                               | 4FE |
| LY1528-16-0          | STATION CASINOS TLB                     |         | 09/30/2016    | SINK                       |                           | 18,349        | 18,349     | 18,395      |                                          |                                           | (4)                                        |                                            |                                                              |                                                                | 18,349                                         |                                          |                                  |                               |                                                     | 50                                 | 06/08/2023                               | 3FE |
| LY1528-13-7          | YUM! BRANDS (KFC) TLB                   |         | 09/30/2016    | SINK                       |                           | 12,500        | 12,500     | 12,578      |                                          |                                           | (3)                                        |                                            |                                                              |                                                                | 12,500                                         |                                          |                                  |                               |                                                     | 44                                 | 05/23/2023                               | 3FE |
| LY1440-74-7          | ASPEN DENTAL MANAGEMENT INC TLB         |         | 09/30/2016    | SINK                       |                           | 75,428        | 75,428     | 75,347      |                                          |                                           | 165                                        |                                            |                                                              |                                                                | 75,428                                         |                                          |                                  |                               |                                                     | 371                                | 04/29/2022                               | 4FE |
| LY1529-28-3          | ALBERTSON'S LLC TLB-5                   |         | 09/30/2016    | SINK                       |                           | 24,979        | 24,979     | 24,844      |                                          |                                           | 57                                         |                                            |                                                              |                                                                | 24,979                                         |                                          |                                  |                               |                                                     | 246                                | 12/21/2022                               | 3FE |
| LY1529-60-6          | PROSPER MEDICAL HOLDINGS TLB            |         | 09/30/2016    | SINK                       |                           | 56,250        | 56,250     | 55,406      |                                          |                                           | 227                                        |                                            |                                                              |                                                                | 56,250                                         |                                          |                                  |                               |                                                     | 592                                | 06/01/2022                               | 4FE |
| LY1530-03-4          | HERTZ CORP TLB                          |         | 09/30/2016    | SINK                       |                           | 7,500         | 7,500      | 7,536       |                                          |                                           | 19                                         |                                            |                                                              |                                                                | 7,500                                          |                                          |                                  |                               |                                                     | 36                                 | 06/02/2023                               | 3FE |
| LY1507-37-0          | PETCO ANIMAL SUPPLIES TLB-2             |         | 07/29/2016    | SINK                       |                           | 21,875        | 21,875     | 20,536      |                                          |                                           | 19                                         |                                            |                                                              |                                                                | 21,875                                         |                                          |                                  |                               |                                                     | 121                                | 01/26/2023                               | 4FE |
| LY1531-80-0          | PCI PHARMA SERVICES TL 1ST LIEN         |         | 09/30/2016    | SINK                       |                           | 32,500        | 32,500     | 32,175      |                                          |                                           | 9                                          |                                            |                                                              |                                                                | 32,500                                         |                                          |                                  |                               |                                                     | 15                                 | 06/30/2023                               | 4FE |
| LY1542-39-3          | HILTON WORLDWIDE TLB2                   |         | 09/30/2016    | SINK                       |                           | 7,342         | 7,342      | 7,383       |                                          |                                           | 88                                         |                                            |                                                              |                                                                | 7,342                                          |                                          |                                  |                               |                                                     | 218                                | 10/25/2023                               | 3FE |
| LY1184-51-9          | BRUX HOLDINGS TL 1ST LIEN               |         | 09/30/2016    | SINK                       |                           | 4,770         | 4,770      | 4,651       | 4,682                                    |                                           |                                            |                                            |                                                              |                                                                | 4,770                                          |                                          |                                  |                               |                                                     | 15                                 | 03/16/2017                               | 3FE |
| 09103#-4C-9          | TOLL FINANCE PTY LTD & TOLL GROUP       | E       | 09/30/2016    | SINK                       |                           | 9,000,000     | 9,000,000  | 9,000,000   |                                          |                                           |                                            |                                            |                                                              |                                                                | 9,000,000                                      |                                          |                                  |                               |                                                     | 1,347,098                          | 12/07/2020                               | 2   |
| JP1015-15-9          | 1-585 EXPRESS, LLC                      |         | 09/30/2016    | SINK                       |                           | 5,086,971     | 5,086,971  | 5,086,987   |                                          |                                           |                                            |                                            |                                                              |                                                                | 5,086,987                                      |                                          | (26)                             |                               |                                                     | 125,940                            | 12/31/2031                               | 1FE |
| 19238#-C-4           | COGECO CABLE INC                        | A       | 07/28/2016    | VARIOUS                    |                           | 10,204,000    | 10,000,000 | 10,000,000  |                                          |                                           |                                            |                                            |                                                              |                                                                | 10,000,000                                     |                                          | 204,000                          |                               |                                                     | 429,000                            | 09/01/2026                               | 2FE |
| 707886-4#-6          | PENN WEST PETROLEUM                     | A       | 07/29/2016    | SINK                       |                           | 5,271,791     | 5,271,791  | 5,271,791   |                                          |                                           |                                            |                                            |                                                              |                                                                | 5,271,791                                      |                                          |                                  |                               |                                                     | 230,289                            | 05/31/2017                               | 5   |
| 707886-8#-3          | PENN WEST PETROLEUM                     | A       | 07/29/2016    | SINK                       |                           | 2,635,896     | 2,635,896  | 2,635,896   |                                          |                                           |                                            |                                            |                                                              |                                                                | 2,635,896                                      |                                          |                                  |                               |                                                     | 123,140                            | 06/29/2018                               | 5   |
| 885526-8Z-9          | TRANSCANADA PIPELINES                   | A       | 07/07/2016    | INC.                       |                           | 7,262,900     | 5,000,000  | 5,131,250   | 5,120,474                                |                                           | (901)                                      |                                            |                                                              |                                                                | 5,119,573                                      |                                          | 2,143,327                        |                               |                                                     | 378,073                            | 01/15/2039                               | 1FE |
| LY1294-63-7          | TELESAT US TERM B-2                     | A       | 09/30/2016    | SINK                       |                           | 32,572        | 32,572     | 32,621      |                                          |                                           | 61                                         |                                            |                                                              |                                                                | 32,572                                         |                                          |                                  |                               |                                                     | 486                                | 03/28/2019                               | 3FE |
| LY1446-13-2          | BURGER KING TLB2                        | A       | 09/30/2016    | SINK                       |                           | 74,826        | 74,826     | 74,540      |                                          |                                           | 350                                        |                                            |                                                              |                                                                | 74,826                                         |                                          |                                  |                               |                                                     | 125,905                            | 12/10/2021                               | 4FE |
| LY1281-35-6          | BOINGARDIER TLB-2                       |         | 07/01/2016    | PRIOR YEAR INCOME          |                           |               |            |             | 74,476                                   |                                           |                                            |                                            |                                                              |                                                                |                                                |                                          |                                  |                               |                                                     | 50,514                             | 01/30/2019                               | 3FE |
| LY1450-44-9          | STANDARD AERO TL                        | I       | 09/30/2016    | SINK                       |                           | 15,038        | 15,038     | 15,002      |                                          |                                           | 63                                         |                                            |                                                              |                                                                | 15,038                                         |                                          |                                  |                               |                                                     | 420                                | 07/07/2022                               | 4FE |
| 002056-AA-5          | APT PIPELINES LTD                       | F       | 09/27/2016    | VARIOUS                    |                           | 20,877,420    | 20,000,000 | 19,882,650  | 19,914,639                               |                                           | 8,376                                      |                                            |                                                              |                                                                | 19,923,015                                     |                                          | 954,405                          |                               |                                                     | 731,729                            | 10/11/2022                               | 2FE |
| 003685-AL-6          | ABU DHABI NATIONAL ENERG                | F       | 08/16/2016    | HSSC SECURITIES, INC.      |                           | 2,057,500     | 2,000,000  | 2,017,000   | 2,012,495                                |                                           | (1,039)                                    |                                            |                                                              |                                                                | 2,011,456                                      |                                          | 46,044                           |                               |                                                     | 79,951                             | 01/12/2023                               | 1FE |
| 00507U-AS-0          | ACTAVIS FINDING SCS                     | R       | 09/15/2016    | DEUTSCHE BANK              |                           | 5,242,460     | 5,000,000  | 5,171,758   | 5,160,821                                |                                           | (11,040)                                   |                                            |                                                              |                                                                | 5,149,781                                      |                                          | 92,669                           |                               |                                                     | 192,639                            | 03/15/2025                               | 2FE |
| 046533-MI-0          | ASTRAZENECA PLC                         | F       | 07/27/2016    | INC.                       |                           | 13,380,720    |            |             |                                          |                                           |                                            |                                            |                                                              |                                                                |                                                |                                          |                                  |                               |                                                     |                                    |                                          |     |

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

| 1                    | 2                                        | 3            | 4                | 5                              | 6                               | 7                  | 8          | 9              | 10                                                   | Change In Book/Adjusted Carrying Value             |                                                        |                                                                 |                                                                       |                                                                                     | 16                                                            | 17                                        | 18                                  | 19                                                                 | 20                                             | 21                                                                | 22 |
|----------------------|------------------------------------------|--------------|------------------|--------------------------------|---------------------------------|--------------------|------------|----------------|------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------|-------------------------------------------|-------------------------------------|--------------------------------------------------------------------|------------------------------------------------|-------------------------------------------------------------------|----|
|                      |                                          |              |                  |                                |                                 |                    |            |                |                                                      | 11                                                 | 12                                                     | 13                                                              | 14                                                                    | 15                                                                                  |                                                               |                                           |                                     |                                                                    |                                                |                                                                   |    |
| CUSIP Identification | Description                              | For-<br>eign | Disposal<br>Date | Name<br>of Purchaser           | Number of<br>Shares of<br>Stock | Consid-<br>eration | Par Value  | Actual<br>Cost | Prior Year<br>Book/<br>Adjusted<br>Carrying<br>Value | Unrealized<br>Valuation<br>Increase/<br>(Decrease) | Current<br>Year's<br>(Amor-<br>tization)/<br>Accretion | Current<br>Year's<br>Temporary<br>Impairment<br>Recog-<br>nized | Total<br>Change in<br>Book/<br>Carrying<br>Value<br>(11 + 12 -<br>13) | Total<br>Foreign<br>Exchange<br>Change in<br>Book/<br>Adjusted<br>Carrying<br>Value | Book/<br>Adjusted<br>Carrying<br>Value at<br>Disposal<br>Date | Realized<br>Gain<br>(Loss) on<br>Disposal | Total Gain<br>(Loss) on<br>Disposal | Bond<br>Interest/<br>Stock<br>Dividends<br>Received<br>During Year | Stated<br>Con-<br>tractual<br>Maturity<br>Date | NAIC<br>Desig-<br>nation<br>or<br>Market<br>In-<br>dicator<br>(a) |    |
| 055451-WV-0          | BHP BILLITON FIN USA LTD                 | F            | 08/10/2016       | MORGAN STANLEY                 |                                 | 9,165,546          | 7,800,000  | 8,456,508      | 5,122,388                                            |                                                    | (1,839)                                                |                                                                 | (1,839)                                                               |                                                                                     | 8,450,037                                                     | 715,509                                   | 715,509                             | 271,250                                                            | 09/30/2043                                     | IFE                                                               |    |
| 06739F-HV-6          | BARCLAYS BANK PLC                        | F            | 08/15/2016       | TENDER                         |                                 | 21,421,400         | 20,000,000 | 20,150,900     | 20,190,423                                           |                                                    | (12,983)                                               |                                                                 | (12,983)                                                              |                                                                                     | 20,177,839                                                    | 1,243,561                                 | 1,243,561                           | 962,500                                                            | 05/15/2024                                     | IFE                                                               |    |
| 06739S-AR-0          | BARCLAYS BANK PLC                        | F            | 08/15/2016       | TENDER                         |                                 | 11,009,800         | 10,000,000 | 9,598,000      | 9,806,050                                            |                                                    | 26,780                                                 |                                                                 | 26,780                                                                |                                                                                     | 9,832,829                                                     | 1,176,971                                 | 1,176,971                           | 566,174                                                            | 01/08/2020                                     | IFE                                                               |    |
| 12657H-AA-7          | CALITITUM HTCE I C.V. (PHILLIPS CTL)     | F            | 07/29/2016       | SINK                           |                                 | 170,087            | 170,087    | 170,087        | 170,087                                              |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 170,087                                                       |                                           |                                     | 3,512                                                              | 04/01/2027                                     | 2                                                                 |    |
| 2027AO-HR-3          | COMMONWEALTH BANK AUST                   | F            | 08/29/2016       | HBSG SECURITIES, INC.          |                                 | 10,715,900         | 10,000,000 | 9,973,300      | 9,979,131                                            |                                                    | 759                                                    |                                                                 | 759                                                                   |                                                                                     | 9,979,890                                                     | 736,010                                   | 736,010                             | 327,500                                                            | 12/09/2025                                     | IFE                                                               |    |
| 25152R-2X-0          | DEUTSCHE BANK AG                         | F            | 08/01/2016       | DEUTSCHE BANK                  |                                 | 6,896,530          | 7,000,000  | 6,830,740      |                                                      |                                                    | 13,850                                                 |                                                                 | 13,850                                                                |                                                                                     | 6,844,590                                                     | 111,940                                   | 111,940                             | 122,135                                                            | 01/13/2021                                     | 2FE                                                               |    |
| 25152R-2V-8          | DEUTSCHE BANK AG                         | F            | 07/26/2016       | BOSTON                         |                                 | 9,915,500          | 10,000,000 | 9,729,900      |                                                      |                                                    | 9,735                                                  |                                                                 | 9,735                                                                 |                                                                                     | 9,739,635                                                     | 175,865                                   | 175,865                             | 223,222                                                            | 01/13/2026                                     | 2FE                                                               |    |
| 26837I-AK-0          | ELECTRICITE DE FRANCE SA                 | F            | 08/11/2016       | JEFFERIES & COMPANY, INC.      |                                 | 27,565,600         | 25,000,000 | 26,465,020     | 26,436,830                                           |                                                    | (14,543)                                               |                                                                 | (14,543)                                                              |                                                                                     | 26,422,287                                                    | 1,143,313                                 | 1,143,313                           | 1,236,354                                                          | 01/22/2044                                     | IFE                                                               |    |
| 30257H-AA-4          | FA&E INTL / F&GE USA                     | F            | 07/27/2016       | STIEFEL NICOLAUS & COMPANY INC |                                 | 1,020,000          | 1,000,000  | 1,000,000      |                                                      |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 1,000,000                                                     | 20,000                                    | 20,000                              |                                                                    | 08/15/2026                                     | IFE                                                               |    |
| 303109-AA-0          | FA&E INTL / F&GE USA                     | F            | 09/02/2016       | 103,292                        |                                 | 4,131,680          | 4,000,000  | 4,220,000      | 4,143,376                                            |                                                    | (36,879)                                               |                                                                 | (36,879)                                                              |                                                                                     | 4,106,497                                                     | 25,183                                    | 25,183                              | 429,014                                                            | 02/01/2020                                     | 3FE                                                               |    |
| 423012-AE-3          | HEIHKENEN W                              | F            | 08/10/2016       | BARCLAY'S                      |                                 | 7,374,820          | 7,000,000  | 5,850,880      | 5,892,195                                            |                                                    | 12,509                                                 |                                                                 | 12,509                                                                |                                                                                     | 5,804,704                                                     | 1,470,216                                 | 1,470,216                           | 244,222                                                            | 10/01/2042                                     | 2FE                                                               |    |
| 50247V-AC-3          | LVB INTL FINANCE BV                      | R            | 08/08/2016       | VARIOUS                        |                                 | 12,323,805         | 11,500,000 | 11,271,510     | 7,252,861                                            |                                                    | 2,434                                                  |                                                                 | 2,434                                                                 |                                                                                     | 11,274,456                                                    | 1,049,349                                 | 1,049,349                           | 405,438                                                            | 03/15/2044                                     | 2FE                                                               |    |
| 706451-HG-5          | PETROLEOS MEXICANOS                      | F            | 08/23/2016       | INC.                           |                                 | 3,266,250          | 3,000,000  | 3,108,576      | 3,094,666                                            |                                                    | (1,910)                                                |                                                                 | (1,910)                                                               |                                                                                     | 3,092,757                                                     | 173,493                                   | 173,493                             | 138,573                                                            | 06/15/2035                                     | 2FE                                                               |    |
| 716540-AX-0          | PETROLEOS MEXICANOS                      | F            | 07/13/2016       | BBV SECURITIES                 |                                 | 5,370,000          | 5,000,000  | 4,950,550      | 4,972,418                                            |                                                    | 2,766                                                  |                                                                 | 2,766                                                                 |                                                                                     | 4,975,184                                                     | 394,816                                   | 394,816                             | 272,708                                                            | 01/21/2021                                     | 2FE                                                               |    |
| 716540-AZ-5          | PETROLEOS MEXICANOS                      | F            | 07/25/2016       | VARIOUS                        |                                 | 15,741,000         | 15,000,000 | 15,366,346     | 15,355,286                                           |                                                    | (3,970)                                                |                                                                 | (3,970)                                                               |                                                                                     | 15,351,316                                                    | 389,684                                   | 389,684                             | 624,722                                                            | 06/02/2041                                     | 2FE                                                               |    |
| 716540-BB-7          | PETROLEOS MEXICANOS                      | F            | 08/31/2016       | VARIOUS                        |                                 | 16,646,000         | 16,000,000 | 16,134,910     | 16,238,547                                           |                                                    | (21,159)                                               |                                                                 | (21,159)                                                              |                                                                                     | 16,217,388                                                    | 428,612                                   | 428,612                             | 810,604                                                            | 01/24/2022                                     | 2FE                                                               |    |
| 75405T-AA-7          | RAS LAFFAN LIG II                        | F            | 09/30/2016       | SINK                           |                                 | 247,000            | 247,000    | 247,000        | 247,000                                              |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 247,000                                                       |                                           |                                     | 13,086                                                             | 09/30/2020                                     | IFE                                                               |    |
| 759470-AA-8          | RELJANCE INDUSTRIES LIMITED              | F            | 09/16/2016       | MATURITY                       |                                 | 10,000,000         | 10,000,000 | 10,000,000     | 10,000,000                                           |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 10,000,000                                                    |                                           |                                     | 651,000                                                            | 09/16/2016                                     | 2                                                                 |    |
| 76165S-AA-8          | REXAM PLC                                | F            | 07/29/2016       | SINK                           |                                 | 24,000,000         | 24,000,000 | 24,000,000     | 24,000,000                                           |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 24,000,000                                                    |                                           |                                     | 4,237,911                                                          | 12/18/2022                                     | 2                                                                 |    |
| 76720A-AG-1          | RIO TINTO FIN USA PLC                    | F            | 08/10/2016       | MORGAN STANLEY                 |                                 | 12,896,150         | 12,500,000 | 11,569,100     | 11,602,742                                           |                                                    | 10,845                                                 |                                                                 | 10,845                                                                |                                                                                     | 11,613,587                                                    | 1,282,563                                 | 1,282,563                           | 507,031                                                            | 08/21/2042                                     | 2FE                                                               |    |
| 77576T-AB-4          | ROLLS-ROYCE PLC                          | F            | 07/11/2016       | COMPANY INC                    |                                 | 10,701,600         | 10,000,000 | 9,990,000      | 9,989,779                                            |                                                    | 444                                                    |                                                                 | 444                                                                   |                                                                                     | 9,990,223                                                     | 711,377                                   | 711,377                             | 271,875                                                            | 10/14/2025                                     | IFE                                                               |    |
| 802811-AE-8          | SANTANDER ISSUANCES                      | F            | 07/12/2016       | VARIOUS                        |                                 | 10,090,820         | 10,000,000 | 10,000,000     | 10,000,000                                           |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 10,000,000                                                    | 90,820                                    | 90,820                              | 336,923                                                            | 11/19/2025                                     | 2FE                                                               |    |
| 806261-AE-3          | SCHAEFFLER FINANCE BV                    | F            | 08/31/2016       | SINK                           |                                 | 3,800              | 3,800      | 3,828          | 3,893                                                |                                                    | (3)                                                    |                                                                 | (3)                                                                   |                                                                                     | 3,800                                                         |                                           |                                     | 90                                                                 | 05/15/2021                                     | 3FE                                                               |    |
| 834040-AA-7          | SOFIBANK GROUP ORP                       | F            | 07/07/2016       | BARCLAY'S                      |                                 | 1,347,125          | 1,300,000  | 1,283,750      | 1,284,363                                            |                                                    | 1,754                                                  |                                                                 | 1,754                                                                 |                                                                                     | 1,286,117                                                     | 61,008                                    | 61,008                              | 43,988                                                             | 04/15/2020                                     | 3FE                                                               |    |
| 853254-AJ-9          | STANDARD CHARTERED PLC                   | F            | 09/21/2016       | VARIOUS                        |                                 | 7,983,920          | 8,000,000  | 8,068,000      | 8,050,421                                            |                                                    | (4,943)                                                |                                                                 | (4,943)                                                               |                                                                                     | 8,045,478                                                     | 380,846                                   | 380,846                             | 380,846                                                            | 01/11/2023                                     | IFE                                                               |    |
| 91911T-AG-8          | VALE OVERSEAS LIMITED                    | F            | 09/23/2016       | 101,872                        |                                 | 8,353,534          | 8,200,000  | 8,140,010      | 8,190,184                                            |                                                    | 5,005                                                  |                                                                 | 5,005                                                                 |                                                                                     | 8,195,189                                                     | 158,345                                   | 158,345                             | 597,917                                                            | 01/23/2017                                     | 2FE                                                               |    |
| 98420E-AB-1          | XLIT LTD                                 | F            | 08/11/2016       | UBS SECURITIES                 |                                 | 1,098,320          | 1,000,000  | 1,002,960      | 1,002,891                                            |                                                    | (78)                                                   |                                                                 | (78)                                                                  |                                                                                     | 1,002,813                                                     | 95,507                                    | 95,507                              | 35,146                                                             | 12/15/2043                                     | 2FE                                                               |    |
| LY1308-34-0          | DRILLSHIPS (OCEAN RIG) TL B1             | F            | 07/12/2016       | VARIOUS                        |                                 | (5,910)            |            | 4,439,071      |                                                      |                                                    | (176)                                                  |                                                                 | (176)                                                                 |                                                                                     | (176)                                                         | (5,634)                                   | (5,634)                             | 185,415                                                            | 03/11/2021                                     | 3FE                                                               |    |
| LY1339-86-7          | PATHEON TLR (OPV HOLDINGS BV)            | R            | 09/30/2016       | SINK                           |                                 | 44,738             | 44,738     | 44,552         | 44,556                                               |                                                    | 82                                                     |                                                                 | 82                                                                    |                                                                                     | 44,738                                                        |                                           |                                     | 1,113                                                              | 03/11/2021                                     | 4FE                                                               |    |
| LY1353-64-1          | SEADRILL OPERATING TLR                   | F            | 07/01/2016       | VARIOUS                        |                                 | 11,314             |            | 53,490         | 8,516,786                                            |                                                    | 205                                                    |                                                                 | 205                                                                   |                                                                                     | 53,367                                                        | 11,109                                    | 11,109                              | 84,698                                                             | 02/21/2021                                     | 3FE                                                               |    |
| LY1250-97-1          | FLY FUNDING TL                           | F            | 08/09/2016       | SINK                           |                                 | 53,367             | 53,367     | 53,490         | 53,379                                               |                                                    | (12)                                                   |                                                                 | (12)                                                                  |                                                                                     | 53,367                                                        | 944                                       | 944                                 | 944                                                                | 06/09/2019                                     | 3FE                                                               |    |
| LY1489-31-4          | AVAGO TECHNOLOGIES TLR1                  | F            | 08/02/2016       | VARIOUS                        |                                 | 19,929,847         | 19,950,000 | 19,920,281     | 3,935,668                                            |                                                    | 35,153                                                 |                                                                 | 35,153                                                                |                                                                                     | 19,955,848                                                    | (26,001)                                  | (26,001)                            | 290,340                                                            | 02/01/2023                                     | 3FE                                                               |    |
| LY1539-89-4          | AVAGO TECHNOLOGIES TLR3                  | F            | 09/15/2016       | SINK                           |                                 | 33,821             | 33,821     | 33,770         |                                                      |                                                    | 48                                                     |                                                                 | 48                                                                    |                                                                                     | 33,821                                                        | 145                                       | 145                                 | 145                                                                | 02/01/2023                                     | 3FE                                                               |    |
| FR4938-AC-3          | SOEEVO                                   | F            | 08/25/2016       | SINK                           |                                 | 15,000,000         | 15,000,000 | 15,000,000     | 15,000,000                                           |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 15,000,000                                                    |                                           |                                     | 2,471,675                                                          | 09/29/2018                                     | 1                                                                 |    |
| FR4938-AE-9          | SOEEVO                                   | F            | 09/23/2016       | SINK                           |                                 | 4,920,000          | 4,920,000  | 4,920,000      | 4,920,000                                            |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 4,920,000                                                     |                                           |                                     | 547,548                                                            | 03/29/2021                                     | 1                                                                 |    |
| 51910H-AG-1          | COBHAM PLC                               | R            | 09/28/2016       | SINK                           |                                 | 12,600,000         | 12,600,000 | 12,600,000     | 12,600,000                                           |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 12,600,000                                                    |                                           |                                     | 3,064,034                                                          | 03/17/2019                                     | 3                                                                 |    |
| 64691*-AD-1          | IAHS FINANCE PP                          | R            | 09/28/2016       | SINK                           |                                 | 10,000,000         | 10,000,000 | 10,000,000     | 10,000,000                                           |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 10,000,000                                                    |                                           |                                     | 2,286,922                                                          | 12/09/2021                                     | 2                                                                 |    |
| 64691*-AK-5          | IAHS FINANCE PP                          | R            | 09/28/2016       | SINK                           |                                 | 5,000,000          | 5,000,000  | 5,000,000      | 5,000,000                                            |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 5,000,000                                                     |                                           |                                     | 1,100,539                                                          | 05/12/2021                                     | 2                                                                 |    |
| 64691*-AL-3          | IAHS FINANCE PP                          | R            | 09/28/2016       | SINK                           |                                 | 5,000,000          | 5,000,000  | 5,000,000      | 5,000,000                                            |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 5,000,000                                                     |                                           |                                     | 1,247,186                                                          | 05/12/2022                                     | 2                                                                 |    |
| 64691*-AQ-2          | IAHS FINANCE PP                          | R            | 09/28/2016       | SINK                           |                                 | 16,000,000         | 16,000,000 | 16,000,000     | 16,000,000                                           |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 16,000,000                                                    |                                           |                                     | 3,512,345                                                          | 02/05/2023                                     | 2                                                                 |    |
| 68667*-AF-0          | TRITON CONTAINER INTERNATIONAL LIMITED   | R            | 09/30/2016       | SINK                           |                                 | 2,071,429          | 2,071,429  | 2,071,429      | 2,071,429                                            |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 2,071,429                                                     |                                           |                                     | 158,671                                                            | 09/30/2018                                     | 2                                                                 |    |
| K7017*-AA-8          | MERIDIAN SPIRIT APS                      | F            | 09/30/2016       | SINK                           |                                 | 97,371             | 97,371     | 97,371         | 97,371                                               |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 97,371                                                        |                                           |                                     | 3,001                                                              | 08/01/2030                                     | 2FE                                                               |    |
| L4804*-AB-9          | HOLCIM US FINANCE                        | F            | 08/30/2016       | MATURITY                       |                                 | 25,000,000         | 25,000,000 | 25,000,000     | 25,000,000                                           |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 25,000,000                                                    |                                           |                                     | 1,525,000                                                          | 08/30/2016                                     | 2                                                                 |    |
| L8038*-AA-4          | SEM BALEIA                               | F            | 09/15/2016       | SINK                           |                                 | 300,000            | 300,000    | 300,000        | 300,000                                              |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 300,000                                                       |                                           |                                     | 12,375                                                             | 09/15/2027                                     | 3FE                                                               |    |
| N3386*-AF-6          | FUGRO N.V.                               | F            | 07/13/2016       | SINK                           |                                 | 908,036            | 908,036    | 908,036        | 908,036                                              |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 908,036                                                       |                                           |                                     | 48,101                                                             | 08/17/2021                                     | 3                                                                 |    |
| N434*-AF-0           | IXEA CAPITAL B.V.                        | F            | 07/29/2016       | SINK                           |                                 | 952,381            | 952,381    | 952,381        | 952,381                                              |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 952,381                                                       |                                           |                                     | 56,571                                                             | 07/18/2022                                     | 1                                                                 |    |
| P7906*-AA-7          | PORT OF SPAIN WATERFRONT DEVELOPMENT LTD | F            | 07/01/2016       | SINK                           |                                 | 1,325,436          | 1,325,436  | 1,325,436      | 1,325,436                                            |                                                    |                                                        |                                                                 |                                                                       |                                                                                     | 1,325,436                                                     |                                           |                                     | 36,552                                                             | 01/01/2023                                     | 2                                                                 |    |
| Q3929*-AD-5          | ETSA UTILITIES FINANCE PTY LTD           | F            | 09/16/2016       | MATURITY                       |                                 | 20,000,000         | 20,000,    |                |                                                      |                                                    |                                                        |                                                                 |                                                                       |                                                                                     |                                                               |                                           |                                     |                                                                    |                                                |                                                                   |    |

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

| 1                    | 2                                                              | 3            | 4                | 5                          | 6                               | 7                  | 8             | 9              | 10                                                   | Change In Book/Adjusted Carrying Value             |                                                        |                                                                |                                                                                   |                                                                                     | 16                                                            | 17                                                   | 18                                        | 19                                  | 20                                                                 | 21                                             | 22                                                      |
|----------------------|----------------------------------------------------------------|--------------|------------------|----------------------------|---------------------------------|--------------------|---------------|----------------|------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------|-------------------------------------------|-------------------------------------|--------------------------------------------------------------------|------------------------------------------------|---------------------------------------------------------|
|                      |                                                                |              |                  |                            |                                 |                    |               |                |                                                      | 11                                                 | 12                                                     | 13                                                             | 14                                                                                | 15                                                                                  |                                                               |                                                      |                                           |                                     |                                                                    |                                                |                                                         |
| CUSIP Identification | Description                                                    | For-<br>eign | Disposal<br>Date | Name<br>of Purchaser       | Number of<br>Shares of<br>Stock | Consid-<br>eration | Par Value     | Actual<br>Cost | Prior Year<br>Book/<br>Adjusted<br>Carrying<br>Value | Unrealized<br>Valuation<br>Increase/<br>(Decrease) | Current<br>Year's<br>(Amor-<br>tization)/<br>Accretion | Current<br>Other Than<br>Temporary<br>Impairment<br>Recognized | Total<br>Change In<br>Book/<br>Adjusted<br>Carrying<br>Value<br>(11 + 12 -<br>13) | Total<br>Foreign<br>Exchange<br>Change In<br>Book/<br>Adjusted<br>Carrying<br>Value | Book/<br>Adjusted<br>Carrying<br>Value at<br>Disposal<br>Date | Foreign<br>Exchange<br>Gain<br>(Loss) on<br>Disposal | Realized<br>Gain<br>(Loss) on<br>Disposal | Total Gain<br>(Loss) on<br>Disposal | Bond<br>Interest/<br>Stock<br>Dividends<br>Received<br>During Year | Stated<br>Con-<br>tractual<br>Maturity<br>Date | NAIC<br>Designation<br>or<br>Market<br>Indicator<br>(a) |
| 880477-AA-3          | SOLVIG GAS NORWAY AS                                           | F            | 08/10/2016       | ALLISON-WILLIAMS COMPANY   |                                 | 14,654,100         | 15,000,000    | 15,000,000     | 15,000,000                                           |                                                    |                                                        |                                                                |                                                                                   |                                                                                     | 15,000,000                                                    |                                                      | (345,900)                                 |                                     | 426,867                                                            | 12/27/2027                                     | 1FE                                                     |
| 38999999             | Subtotal - Bonds - Industrial and Miscellaneous (Unaffiliated) |              |                  |                            |                                 | 2,281,721,824      | 2,111,374,129 | 2,150,733,622  | 1,692,554,077                                        |                                                    | 1,856,463                                              |                                                                | 1,856,463                                                                         |                                                                                     | 2,141,583,785                                                 | 140,138,037                                          | 140,138,037                               |                                     | 92,817,197                                                         | XXX                                            | XXX                                                     |
| 171232-AP-6          | CHBB CORP                                                      |              | 07/15/2016       | IMPERIAL CAPITAL           |                                 | 5,929,762          | 6,773,000     | 6,947,268      | 6,812,506                                            |                                                    | (16,907)                                               |                                                                | (16,907)                                                                          |                                                                                     | 6,795,599                                                     |                                                      | (665,837)                                 |                                     | 329,654                                                            | 04/15/2037                                     | 2FE                                                     |
| 744620-WA-2          | PRUDENTIAL FINANCIAL INC                                       |              | 07/13/2016       | VARIOUS                    |                                 | 2,985,300          | 3,000,000     | 3,000,000      | 3,000,000                                            |                                                    |                                                        |                                                                |                                                                                   |                                                                                     | 3,000,000                                                     |                                                      | (14,700)                                  |                                     | 131,300                                                            | 03/15/2044                                     | 2FE                                                     |
| 48999999             | Subtotal - Bonds - Hybrid Securities                           |              |                  |                            |                                 | 8,915,062          | 9,773,000     | 9,947,268      | 9,812,506                                            |                                                    | (16,907)                                               |                                                                | (16,907)                                                                          |                                                                                     | 9,795,599                                                     |                                                      | (680,537)                                 |                                     | 460,954                                                            | XXX                                            | XXX                                                     |
| 83999997             | Total - Bonds - Part 4                                         |              |                  |                            |                                 | 4,179,208,646      | 3,927,503,126 | 4,004,620,717  | 1,831,302,965                                        | XXX                                                | 1,017,461                                              | XXX                                                            | 1,017,461                                                                         | XXX                                                                                 | 3,992,907,270                                                 |                                                      | 186,301,369                               | 110,499,106                         |                                                                    | XXX                                            | XXX                                                     |
| 83999998             | Total - Bonds - Part 5                                         |              |                  |                            |                                 |                    | XXX           | XXX            | XXX                                                  | XXX                                                | XXX                                                    | XXX                                                            | XXX                                                                               | XXX                                                                                 |                                                               |                                                      |                                           |                                     |                                                                    | XXX                                            | XXX                                                     |
| 83999999             | Total - Bonds                                                  |              |                  |                            |                                 | 4,179,208,646      | 3,927,503,126 | 4,004,620,717  | 1,831,302,965                                        |                                                    | 1,017,461                                              |                                                                | 1,017,461                                                                         |                                                                                     | 3,992,907,270                                                 |                                                      | 186,301,369                               | 110,499,106                         |                                                                    | XXX                                            | XXX                                                     |
| 001070-20-9          | AFFILIATED MANAGERS GROUP 5.15% PFD                            |              | 09/27/2016       | VARIOUS                    | 295,000,000                     | 16,008,949         | 50.00         | 17,611,754     | 17,611,754                                           |                                                    |                                                        |                                                                |                                                                                   |                                                                                     | 17,611,754                                                    |                                                      | (1,603,204)                               | 569,719                             |                                                                    |                                                | P2JFE                                                   |
| 006752-20-2          | ANTHEM INC                                                     |              | 09/22/2016       | BOSTON                     | 182,300,000                     | 8,094,126          | 50.00         | 9,518,112      | 9,518,112                                            |                                                    |                                                        |                                                                |                                                                                   |                                                                                     | 9,518,112                                                     |                                                      | (1,423,986)                               | 358,903                             |                                                                    |                                                | P2JFE                                                   |
| 009165-68-8          | BALTIMORE GAS & ELECTRIC 6.70 PFD                              |              | 09/19/2016       | CALLED BY ISSUER at 100.00 | 40,500,000                      | 4,050,000          | 100.00        | 4,050,000      | 4,050,000                                            |                                                    |                                                        |                                                                |                                                                                   |                                                                                     | 4,050,000                                                     |                                                      |                                           | 261,551                             |                                                                    |                                                | P2JFE                                                   |
| 009165-69-6          | BALTIMORE GAS & ELECTRIC                                       |              | 09/19/2016       | CALLED BY ISSUER at 100.00 | 35,000,000                      | 3,500,000          | 100.00        | 3,576,250      | 3,576,250                                            |                                                    |                                                        |                                                                |                                                                                   |                                                                                     | 3,576,250                                                     |                                                      | (76,250)                                  | 235,141                             |                                                                    |                                                | P2JFE                                                   |
| 009165-77-9          | BALTIMORE GAS & ELECTRIC 7.125% PFD                            |              | 07/05/2016       | CALLED BY ISSUER at 100.00 | 19,500,000                      | 1,950,000          | 100.00        | 1,852,500      | 1,852,500                                            |                                                    |                                                        |                                                                |                                                                                   |                                                                                     | 1,852,500                                                     |                                                      | 97,500                                    | 104,975                             |                                                                    |                                                | P2JFE                                                   |
| 359064-20-7          | FRONTIER COMM MAND PFD 06/29/18                                |              | 08/31/2016       | VARIOUS                    | 100,000,000                     | 9,061,787          | 100.00        | 10,059,580     | 9,942,052                                            | 517,529                                            |                                                        |                                                                | 517,529                                                                           |                                                                                     | 10,059,580                                                    |                                                      | (97,793)                                  | 556,250                             |                                                                    |                                                | P4LZ                                                    |
| 462650-40-9          | IRIDIUM COMMUNICATIONS, INC. CV PFD                            |              | 09/07/2016       | DEUTSCHE BANK              | 26,100,000                      | 7,080,682          | 250.00        | 7,652,864      | 5,794,311                                            | 116,799                                            |                                                        |                                                                | 116,799                                                                           |                                                                                     | 7,652,864                                                     |                                                      | (572,182)                                 | 307,125                             |                                                                    |                                                | P3L                                                     |
| 463627-40-5          | KEYCORP PREFER STK                                             |              | 09/29/2016       | MITSUBISHI SECURITIES      | 38,179,000                      | 5,191,317          | 100.00        | 4,926,291      | 4,926,291                                            |                                                    |                                                        |                                                                |                                                                                   |                                                                                     | 4,926,291                                                     |                                                      | 265,026                                   | 221,915                             |                                                                    |                                                | P3JFE                                                   |
| 013817-10-1          | ALCOA INC                                                      |              | 09/29/2016       | MITSUBISHI SECURITIES      | 47,620,000                      | 2,386,202          | 50.00         | 2,362,088      | 2,362,088                                            |                                                    |                                                        |                                                                |                                                                                   |                                                                                     | 2,362,088                                                     |                                                      | 24,114                                    | 107,145                             |                                                                    |                                                | P3JFE                                                   |
| 020002-10-1          | ALLSTATE CORP                                                  |              | 09/08/2016       | MITSUBISHI SECURITIES      | 12,000,000                      | 10,337,127         | 1,000.00      | 12,005,400     | 12,005,400                                           |                                                    |                                                        |                                                                |                                                                                   |                                                                                     | 12,005,400                                                    |                                                      | (1,668,273)                               | 551,412                             |                                                                    |                                                | P2LZ                                                    |
| 02079K-10-7          | ALPHABET INC-CL-C                                              |              |                  |                            |                                 |                    | XXX           | 73,614,839     | 71,238,758                                           | 634,328                                            |                                                        |                                                                | 634,328                                                                           |                                                                                     | 73,614,839                                                    |                                                      | (5,955,048)                               | (5,955,048)                         | 3,274,136                                                          | XXX                                            | XXX                                                     |
| 02209S-10-3          | ALTRIA GROUP INC                                               |              |                  |                            |                                 |                    | XXX           | 73,614,839     | 71,238,758                                           | 634,328                                            |                                                        |                                                                | 634,328                                                                           |                                                                                     | 73,614,839                                                    |                                                      | (5,955,048)                               | (5,955,048)                         | 3,274,136                                                          | XXX                                            | XXX                                                     |
| 02276R-10-2          | AMERICAN AIRLINES EXIT TL COMMON STK                           |              |                  |                            |                                 |                    | XXX           | 73,614,839     | 71,238,758                                           | 634,328                                            |                                                        |                                                                | 634,328                                                                           |                                                                                     | 73,614,839                                                    |                                                      | (5,955,048)                               | (5,955,048)                         | 3,274,136                                                          | XXX                                            | XXX                                                     |
| 025816-10-9          | AMERICAN EXPRESS                                               |              | 09/14/2016       | HEEDEN & CO LP             | 26,000                          | 1,866              |               | 1,416          | 1,557                                                | (142)                                              |                                                        |                                                                | (142)                                                                             |                                                                                     | 1,416                                                         |                                                      | 451                                       | 32                                  |                                                                    |                                                | L                                                       |
| 026814-78-4          | AMERICAN INTERNATIONAL GROUP                                   |              | 07/01/2016       | HEEDEN & CO LP             | 445,000                         | 29,370             |               | 22,713         | 28,395                                               | (5,683)                                            |                                                        |                                                                | (5,683)                                                                           |                                                                                     | 22,713                                                        |                                                      | 6,657                                     | 472                                 |                                                                    |                                                | L                                                       |
| 03073E-10-5          | AMERISOURCEBERGEN CORP                                         |              | 09/14/2016       | HEEDEN & CO LP             | 46,000                          | 1,795              |               | 1,886          | 1,548                                                | 138                                                |                                                        |                                                                | 138                                                                               |                                                                                     | 1,686                                                         |                                                      | 108                                       | 65                                  |                                                                    |                                                | L                                                       |
| 031162-10-0          | ANGEN INC                                                      |              | 09/14/2016       | HEEDEN & CO LP             | 29,000                          | 1,183              |               | 1,071          | 1,302                                                | (231)                                              |                                                        |                                                                | (231)                                                                             |                                                                                     | 1,071                                                         |                                                      | 112                                       | 23                                  |                                                                    |                                                | L                                                       |
| 020002-10-1          | ALLSTATE CORP                                                  |              | 09/14/2016       | HEEDEN & CO LP             | 11,000                          | 1,103              |               | 94             | 109                                                  | (15)                                               |                                                        |                                                                | (15)                                                                              |                                                                                     | 94                                                            |                                                      | 10                                        | 1                                   |                                                                    |                                                | L                                                       |
| 02079K-10-7          | ALPHABET INC-CL-C                                              |              | 09/14/2016       | HEEDEN & CO LP             | 10,000                          | 674                |               | 493            | 621                                                  | (128)                                              |                                                        |                                                                | (128)                                                                             |                                                                                     | 493                                                           |                                                      | 181                                       | 7                                   |                                                                    |                                                | L                                                       |
| 02209S-10-3          | ALTRIA GROUP INC                                               |              | 09/14/2016       | HEEDEN & CO LP             | 9,000                           | 6,862              |               | 4,276          | 6,830                                                | (2,554)                                            |                                                        |                                                                | (2,554)                                                                           |                                                                                     | 4,276                                                         |                                                      | 2,586                                     | 2,586                               |                                                                    |                                                | L                                                       |
| 02276R-10-2          | AMERICAN AIRLINES EXIT TL COMMON STK                           |              | 09/14/2016       | HEEDEN & CO LP             | 25,000                          | 1,578              |               | 913            | 1,455                                                | (542)                                              |                                                        |                                                                | (542)                                                                             |                                                                                     | 913                                                           |                                                      | 665                                       | 28                                  |                                                                    |                                                | L                                                       |
| 025816-10-9          | AMERICAN EXPRESS                                               |              | 09/14/2016       | HEEDEN & CO LP             | 279,000                         | 10,150             |               | 15,049         | 11,816                                               | 3,234                                              |                                                        |                                                                | 3,234                                                                             |                                                                                     | 15,049                                                        |                                                      | (4,899)                                   | 84                                  |                                                                    |                                                | L                                                       |
| 026814-78-4          | AMERICAN INTERNATIONAL GROUP                                   |              | 09/14/2016       | HEEDEN & CO LP             | 49,000                          | 3,110              |               | 3,353          | 3,408                                                | (55)                                               |                                                        |                                                                | (55)                                                                              |                                                                                     | 3,353                                                         |                                                      | (243)                                     | 43                                  |                                                                    |                                                | L                                                       |
| 03073E-10-5          | AMERISOURCEBERGEN CORP                                         |              | 09/14/2016       | HEEDEN & CO LP             | 125,000                         | 7,259              |               | 5,179          | 7,746                                                | (2,567)                                            |                                                        |                                                                | (2,567)                                                                           |                                                                                     | 5,179                                                         |                                                      | 2,080                                     | 120                                 |                                                                    |                                                | L                                                       |
| 031162-10-0          | ANGEN INC                                                      |              | 09/14/2016       | HEEDEN & CO LP             | 46,000                          | 3,857              |               | 2,490          | 4,771                                                | (2,281)                                            |                                                        |                                                                | (2,281)                                                                           |                                                                                     | 2,490                                                         |                                                      | 1,367                                     | 47                                  |                                                                    |                                                | L                                                       |
| 037833-10-0          | APPLE INC                                                      |              | 09/14/2016       | HEEDEN & CO LP             | 10,000                          | 1,701              |               | 1,042          | 1,623                                                | (581)                                              |                                                        |                                                                | (581)                                                                             |                                                                                     | 1,042                                                         |                                                      | 659                                       | 30                                  |                                                                    |                                                | L                                                       |
| 038222-10-5          | APPLIED MATERIALS INC                                          |              | 09/14/2016       | HEEDEN & CO LP             | 309,000                         | 34,533             |               | 32,525         | 32,525                                               | (12,981)                                           |                                                        |                                                                | (12,981)                                                                          |                                                                                     | 19,545                                                        |                                                      | 14,988                                    | 513                                 |                                                                    |                                                | L                                                       |
| 039483-10-2          | ARCHER-DANIELS-MIDLAND CO                                      |              | 09/14/2016       | HEEDEN & CO LP             | 166,000                         | 4,884              |               | 2,410          | 3,099                                                | (689)                                              |                                                        |                                                                | (689)                                                                             |                                                                                     | 2,410                                                         |                                                      | 2,473                                     | 59                                  |                                                                    |                                                | L                                                       |
| 04621V-10-8          | ASSURANT INC                                                   |              | 09/14/2016       | HEEDEN & CO LP             | 34,000                          | 1,427              |               | 1,154          | 1,247                                                | (93)                                               |                                                        |                                                                | (93)                                                                              |                                                                                     | 1,154                                                         |                                                      | 273                                       | 31                                  |                                                                    |                                                | L                                                       |
| 05292H-10-2          | AUTOMATIC INC                                                  |              | 09/14/2016       | HEEDEN & CO LP             | 12,000                          | 1,048              |               | 966            | 966                                                  | (386)                                              |                                                        |                                                                | (386)                                                                             |                                                                                     | 571                                                           |                                                      | 477                                       | 18                                  |                                                                    |                                                | L                                                       |
| 060505-10-4          | BANK OF AMERICA CORP                                           |              | 09/14/2016       | HEEDEN & CO LP             | 16,000                          | 779                |               | 728            | 955                                                  | (226)                                              |                                                        |                                                                | (226)                                                                             |                                                                                     | 728                                                           |                                                      | 51                                        | 51                                  |                                                                    |                                                | L                                                       |
| 075886-10-0          | BED BATH & BEYOND INC                                          |              | 09/14/2016       | HEEDEN & CO LP             | 308,000                         | 4,811              |               | 3,795          | 5,184                                                | (1,389)                                            |                                                        |                                                                | (1,389)                                                                           |                                                                                     | 3,795                                                         |                                                      | 1,016                                     | 54                                  |                                                                    |                                                | L                                                       |
| 084670-70-2          | BERKSHIRE HATHAWAY INC-CL B                                    |              | 09/14/2016       | HEEDEN & CO LP             | 40,000                          | 1,717              |               | 2,532          | 2,752                                                | 822                                                |                                                        |                                                                | 822                                                                               |                                                                                     | 2,752                                                         |                                                      | (1,036)                                   | 5                                   |                                                                    |                                                | L                                                       |
| 093671-10-5          | BLOCK H & R INC                                                |              | 09/14/2016       | HEEDEN & CO LP             | 18,000                          | 2,624              |               | 1,914          | 2,377                                                | (463)                                              |                                                        |                                                                | (463)                                                                             |                                                                                     | 1,914                                                         |                                                      | 710                                       | 710                                 |                                                                    |                                                | L                                                       |
| 097023-10-5          | BOEING CO                                                      |              | 09/14/2016       | HEEDEN & CO LP             | 44,000                          | 976                |               | 1,221          | 1,466                                                | (245)                                              |                                                        |                                                                | (245)                                                                             |                                                                                     | 1,221                                                         |                                                      | (245)                                     | 18                                  |                                                                    |                                                | L                                                       |
| 110122-10-8          | BRISTOL-MYERS SQUIBB CO                                        |              | 09/14/2016       | HEEDEN & CO LP             | 95,000                          | 12,127             |               | 8,685          | 13,736                                               | (5,051)                                            |                                                        |                                                                | (5,051)                                                                           |                                                                                     | 8,685                                                         |                                                      | 3,443                                     | 311                                 |                                                                    |                                                | L                                                       |
| 124657-20-2          | CBS CORP - CL B                                                |              | 09/14/2016       | HEEDEN & CO LP             | 17,000                          | 939                |               | 1,169          | 1,169                                                | (494)                                              |                                                        |                                                                | (494)                                                                             |                                                                                     | 675                                                           |                                                      | 263                                       | 19                                  |                                                                    |                                                | L                                                       |
| 125408-10-3          | CSX CORP                                                       |              | 09/14/2016       | HEEDEN & CO LP             | 18,000                          | 998                |               | 824            | 848                                                  | (24)                                               |                                                        |                                                                | (24)                                                                              |                                                                                     | 824                                                           |                                                      | 114                                       | 5                                   |                                                                    |                                                | L                                                       |
| 126650-10-0          | CVS HEALTH CORPORATION                                         |              | 09/14/2016       | HEEDEN & CO LP             | 36,000                          | 1,042              |               | 966            | 994                                                  | (49)                                               |                                                        |                                                                | (49)                                                                              |                                                                                     | 966                                                           |                                                      | 156                                       | 19                                  |                                                                    |                                                | L                                                       |
| 14040H-10-5          | CAPITAL ONE FINANCIAL CORP                                     |              | 09/14/2016       | HEEDEN & CO LP             | 102,000                         | 9,122              |               | 5,935          | 9,122                                                | (4,037)                                            |                                                        |                                                                | (4,037)                                                                           |                                                                                     | 5,935                                                         |                                                      | 3,186                                     | 130                                 |                                                                    |                                                | L                                                       |
|                      |                                                                |              |                  |                            |                                 | 3,670              |               | 3,005          | 3,753                                                | (748)                                              |                                                        |                                                                | (748)                                                                             |                                                                                     | 3,005                                                         |                                                      | 665                                       | 62                                  |                                                                    |                                                | L                                                       |

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

| 1           | CUSIP Identification | 2                                  | 3            | 4                | 5                          | 6                               | 7                  | 8         | 9              | 10                                                   | Change in Book/Adjusted Carrying Value             |                                                        |                                                                               |                                                                                   |                                                                                     | 16                                                            | 17                                                   | 18                                        | 19                                  | 20                                                                 | 21                                             | 22                                                                |
|-------------|----------------------|------------------------------------|--------------|------------------|----------------------------|---------------------------------|--------------------|-----------|----------------|------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------|-------------------------------------------|-------------------------------------|--------------------------------------------------------------------|------------------------------------------------|-------------------------------------------------------------------|
|             |                      |                                    |              |                  |                            |                                 |                    |           |                |                                                      | 11                                                 | 12                                                     | 13                                                                            | 14                                                                                | 15                                                                                  |                                                               |                                                      |                                           |                                     |                                                                    |                                                |                                                                   |
|             |                      | Description                        | For-<br>eign | Disposal<br>Date | Name<br>of Purchaser       | Number of<br>Shares of<br>Stock | Consid-<br>eration | Par Value | Actual<br>Cost | Prior Year<br>Book/<br>Adjusted<br>Carrying<br>Value | Unrealized<br>Valuation<br>Increase/<br>(Decrease) | Current<br>Year's<br>(Amor-<br>tization)/<br>Accretion | Current<br>Year's<br>Other Than<br>Temporary<br>Impairment<br>Recog-<br>nized | Total<br>Change in<br>Book/<br>Adjusted<br>Carrying<br>Value<br>(11 + 12 -<br>13) | Total<br>Foreign<br>Exchange<br>Change in<br>Book/<br>Adjusted<br>Carrying<br>Value | Book/<br>Adjusted<br>Carrying<br>Value at<br>Disposal<br>Date | Foreign<br>Exchange<br>Gain<br>(Loss) on<br>Disposal | Realized<br>Gain<br>(Loss) on<br>Disposal | Total Gain<br>(Loss) on<br>Disposal | Bond<br>Interest/<br>Stock<br>Dividends<br>Received<br>During Year | Stated<br>Con-<br>tractual<br>Maturity<br>Date | NAIC<br>Desig-<br>nation<br>or<br>Market<br>In-<br>dicator<br>(a) |
| 141491-10-8 |                      | CARDINAL HEALTH INC.               |              | 09/14/2016       | WEEDEN & CO LP             | 16,000                          | 1,204              |           | 708            | 1,428                                                | (721)                                              |                                                        |                                                                               | (721)                                                                             |                                                                                     | 708                                                           |                                                      | 496                                       | 496                                 |                                                                    | 13                                             |                                                                   |
| 146698-30-0 |                      | CARNIVAL CORP - CL A               |              | 09/14/2016       | WEEDEN & CO LP             | 49,000                          | 1,691              |           | 1,691          | 2,670                                                | (978)                                              |                                                        |                                                                               | (978)                                                                             |                                                                                     | 1,691                                                         |                                                      | 573                                       | 573                                 |                                                                    | 49                                             |                                                                   |
| 151020-10-4 |                      | CELESTONE CORP                     |              | 09/14/2016       | WEEDEN & CO LP             | 34,000                          | 3,606              |           | 2,007          | 4,072                                                | (2,064)                                            |                                                        |                                                                               | (2,064)                                                                           |                                                                                     | 2,007                                                         |                                                      | 1,588                                     | 1,588                               |                                                                    |                                                |                                                                   |
| 166764-10-0 |                      | CHEVRONTEXACO CORP                 |              | 09/14/2016       | WEEDEN & CO LP             | 13,000                          | 1,279              |           | 1,586          | 1,689                                                | 417                                                |                                                        |                                                                               | 417                                                                               |                                                                                     | 1,586                                                         |                                                      | (307)                                     | (307)                               |                                                                    | 42                                             |                                                                   |
| 169390-10-6 |                      | CHINA BIOLOGIC PRODUCTS INC        |              | 08/31/2016       | WEEDEN & CO LP             | 1,800,000                       | 199,108            |           | 228,582        |                                                      |                                                    |                                                        |                                                                               |                                                                                   |                                                                                     | 228,582                                                       |                                                      | (29,474)                                  | (29,474)                            |                                                                    |                                                |                                                                   |
| 171340-10-2 |                      | CHURCH & DWIGHT CO., INC.          |              | 09/14/2016       | WEEDEN & CO LP             | 10,000                          | 468                |           |                | 448                                                  |                                                    |                                                        |                                                                               |                                                                                   |                                                                                     | 448                                                           |                                                      | 20                                        | 20                                  |                                                                    | 4                                              |                                                                   |
| 172759-10-2 |                      | CISCO SYSTEMS INC                  |              | 09/14/2016       | WEEDEN & CO LP             | 61,000                          | 1,980              |           | 1,277          | 1,656                                                | (380)                                              |                                                        |                                                                               | (380)                                                                             |                                                                                     | 1,277                                                         |                                                      | 614                                       | 614                                 |                                                                    | 45                                             |                                                                   |
| 172867-42-4 |                      | CITIGROUP INC                      |              | 09/14/2016       | WEEDEN & CO LP             | 79,000                          | 3,692              |           | 3,697          | 4,088                                                | (401)                                              |                                                        |                                                                               | (401)                                                                             |                                                                                     | 3,697                                                         |                                                      | 5                                         | 5                                   |                                                                    | 21                                             |                                                                   |
| 191216-10-0 |                      | COCA-COLA CO.                      |              | 09/14/2016       | WEEDEN & CO LP             | 51,000                          | 2,147              |           | 2,159          | 2,191                                                | (32)                                               |                                                        |                                                                               | (32)                                                                              |                                                                                     | 2,159                                                         |                                                      | (12)                                      | (12)                                |                                                                    | 36                                             |                                                                   |
| 192446-10-2 |                      | COGNIZANT TECH SOLUTIONS           |              | 09/14/2016       | WEEDEN & CO LP             | 18,000                          | 972                |           | 583            | 1,080                                                | (497)                                              |                                                        |                                                                               | (497)                                                                             |                                                                                     | 583                                                           |                                                      | 389                                       | 389                                 |                                                                    |                                                |                                                                   |
| 20030N-10-1 |                      | COMCAST CORP - SPECIAL CL A        |              | 09/14/2016       | WEEDEN & CO LP             | 81,000                          | 5,278              |           | 3,346          | 4,571                                                | (1,225)                                            |                                                        |                                                                               | (1,225)                                                                           |                                                                                     | 3,346                                                         |                                                      | 1,932                                     | 1,932                               |                                                                    | 65                                             |                                                                   |
| 219330-10-5 |                      | CORNING, INC.                      |              | 09/14/2016       | WEEDEN & CO LP             | 151,000                         | 3,376              |           | 2,191          | 2,760                                                | (569)                                              |                                                        |                                                                               | (569)                                                                             |                                                                                     | 2,191                                                         |                                                      | 1,185                                     | 1,185                               |                                                                    | 75                                             |                                                                   |
| 22160K-10-5 |                      | COSTCO WHOLESALE CORP              |              | 09/14/2016       | WEEDEN & CO LP             | 10,000                          | 1,507              |           | 1,084          | 1,615                                                | (531)                                              |                                                        |                                                                               | (531)                                                                             |                                                                                     | 1,084                                                         |                                                      | 422                                       | 422                                 |                                                                    | 13                                             |                                                                   |
| 231021-10-6 |                      | CUMMINS INC                        |              | 09/14/2016       | WEEDEN & CO LP             | 15,000                          | 1,771              |           | 1,596          | 1,320                                                | 276                                                |                                                        |                                                                               | 276                                                                               |                                                                                     | 1,596                                                         |                                                      | 175                                       | 175                                 |                                                                    | 45                                             |                                                                   |
| 238551-10-2 |                      | DANHER CORP                        |              | 07/05/2016       | RETURN OF CAPITAL          | 0,000                           | 40,286             |           | 40,286         | 39,455                                               |                                                    |                                                        |                                                                               |                                                                                   |                                                                                     | 40,286                                                        |                                                      |                                           |                                     |                                                                    |                                                |                                                                   |
| 24703L-10-3 |                      | DELL TECHNOLOGIES INC              |              | 09/14/2016       | VARIOUS                    | 813,770                         | 39,337             |           | 39,061         |                                                      | (899)                                              |                                                        |                                                                               | (899)                                                                             |                                                                                     | 39,061                                                        |                                                      | 276                                       | 276                                 |                                                                    |                                                |                                                                   |
| 247361-10-2 |                      | DELTA AIR LINES INC                |              | 09/14/2016       | WEEDEN & CO LP             | 33,000                          | 1,225              |           | 774            | 1,673                                                |                                                    |                                                        |                                                                               |                                                                                   |                                                                                     | 774                                                           |                                                      | 450                                       | 450                                 |                                                                    | 16                                             |                                                                   |
| 24909P-10-9 |                      | DENTSPLY SIRONA INC                |              | 09/14/2016       | WEEDEN & CO LP             | 22,000                          | 1,303              |           | 1,032          | 1,673                                                |                                                    |                                                        |                                                                               |                                                                                   |                                                                                     | 1,032                                                         |                                                      | 271                                       | 271                                 |                                                                    | 3                                              |                                                                   |
| 254687-10-6 |                      | DISNEY (WALT) CO HOLDING CO        |              | 09/14/2016       | WEEDEN & CO LP             | 47,000                          | 4,336              |           | 2,954          | 4,539                                                | (1,985)                                            |                                                        |                                                                               | (1,985)                                                                           |                                                                                     | 2,954                                                         |                                                      | 1,392                                     | 1,392                               |                                                                    | 33                                             |                                                                   |
| 254709-10-8 |                      | DISCOVERY FINANCIAL SERVICES       |              | 09/14/2016       | WEEDEN & CO LP             | 11,000                          | 632                |           | 481            | 590                                                  | (109)                                              |                                                        |                                                                               | (109)                                                                             |                                                                                     | 481                                                           |                                                      | 151                                       | 151                                 |                                                                    | 9                                              |                                                                   |
| 25470F-30-2 |                      | DISCOVERY COMMUNICATIONS-C         |              | 09/14/2016       | WEEDEN & CO LP             | 48,000                          | 1,141              |           | 1,851          | 1,211                                                | 640                                                |                                                        |                                                                               | 640                                                                               |                                                                                     | 1,851                                                         |                                                      | (710)                                     | (710)                               |                                                                    |                                                |                                                                   |
| 258677-10-5 |                      | DOLLAR GENERAL CORP                |              | 09/14/2016       | WEEDEN & CO LP             | 29,000                          | 2,073              |           | 1,511          | 2,084                                                | (573)                                              |                                                        |                                                                               | (573)                                                                             |                                                                                     | 1,511                                                         |                                                      | 563                                       | 563                                 |                                                                    | 22                                             |                                                                   |
| 268646-10-2 |                      | EMC CORP/EMSS                      |              | 09/07/2016       | WEEDEN                     | 7,301,000                       | 214,650            |           | 173,310        | 184,151                                              | (14,364)                                           |                                                        |                                                                               | (14,364)                                                                          |                                                                                     | 173,310                                                       |                                                      | 41,340                                    | 41,340                              |                                                                    | 2,722                                          |                                                                   |
| 269246-40-1 |                      | E TRADE FINANCIAL CORP             |              | 09/14/2016       | WEEDEN & CO LP             | 11,000                          | 300                |           | 113            | 326                                                  | (213)                                              |                                                        |                                                                               | (213)                                                                             |                                                                                     | 113                                                           |                                                      | 186                                       | 186                                 |                                                                    |                                                |                                                                   |
| 278642-10-3 |                      | EBAY INC                           |              | 09/14/2016       | WEEDEN & CO LP             | 113,000                         | 3,592              |           | 2,492          | 3,105                                                | (613)                                              |                                                        |                                                                               | (613)                                                                             |                                                                                     | 2,492                                                         |                                                      | 1,100                                     | 1,100                               |                                                                    | 8                                              |                                                                   |
| 278885-10-0 |                      | ECOLAB INC                         |              | 09/14/2016       | WEEDEN & CO LP             | 11,000                          | 1,293              |           | 931            | 1,258                                                | (327)                                              |                                                        |                                                                               | (327)                                                                             |                                                                                     | 931                                                           |                                                      | 362                                       | 362                                 |                                                                    |                                                |                                                                   |
| 285512-10-9 |                      | ELECTRONIC ARTS INC.               |              | 09/14/2016       | WEEDEN & CO LP             | 22,000                          | 1,178              |           | 388            | 1,124                                                | (1,124)                                            |                                                        |                                                                               | (1,124)                                                                           |                                                                                     | 388                                                           |                                                      | 1,390                                     | 1,390                               |                                                                    |                                                |                                                                   |
| 29444U-10-8 |                      | EQUINIX INC                        |              | 08/04/2016       | LSI GROUP                  | 35,692,000                      | 13,256,998         |           | 6,901,390      | 10,793,261                                           | (4,291,871)                                        |                                                        |                                                                               | (4,291,871)                                                                       |                                                                                     | 6,901,390                                                     |                                                      | 6,755,608                                 | 6,755,608                           |                                                                    | 124,926                                        |                                                                   |
| 30231G-10-2 |                      | EXXON MOBIL CORP                   |              | 09/14/2016       | WEEDEN & CO LP             | 66,000                          | 5,983              |           | 5,874          | 5,145                                                | 729                                                |                                                        |                                                                               | 729                                                                               |                                                                                     | 5,874                                                         |                                                      | (291)                                     | (291)                               |                                                                    | 147                                            |                                                                   |
| 31428X-10-6 |                      | FEDEX CORP                         |              | 09/14/2016       | WEEDEN & CO LP             | 21,000                          | 3,948              |           | 1,974          | 3,129                                                | (1,154)                                            |                                                        |                                                                               | (1,154)                                                                           |                                                                                     | 1,974                                                         |                                                      | 1,374                                     | 1,374                               |                                                                    | 14                                             |                                                                   |
| 315616-10-2 |                      | F5 NETWORKS INC.                   |              | 09/14/2016       | WEEDEN & CO LP             | 10,000                          | 1,179              |           | 764            | 970                                                  | (205)                                              |                                                        |                                                                               | (205)                                                                             |                                                                                     | 764                                                           |                                                      | 415                                       | 415                                 |                                                                    |                                                |                                                                   |
| 316773-10-0 |                      | FIFTH THIRD BANCORP                |              | 09/14/2016       | WEEDEN & CO LP             | 66,000                          | 1,344              |           | 1,125          | 1,320                                                | (202)                                              |                                                        |                                                                               | (202)                                                                             |                                                                                     | 1,125                                                         |                                                      | 219                                       | 219                                 |                                                                    | 17                                             |                                                                   |
| 345370-86-0 |                      | FORD MOTOR CO.                     |              | 09/14/2016       | WEEDEN & CO LP             | 27,000                          | 328                |           | 370            | 380                                                  | (10)                                               |                                                        |                                                                               | (10)                                                                              |                                                                                     | 370                                                           |                                                      | (43)                                      | (43)                                |                                                                    | 19                                             |                                                                   |
| 34953U-10-8 |                      | FORTIVE CORP                       |              | 07/05/2016       | FRACTIONAL SHARES          | 0,500                           | 24                 |           | 18             |                                                      |                                                    |                                                        |                                                                               |                                                                                   |                                                                                     | 18                                                            |                                                      | 6                                         | 6                                   |                                                                    |                                                |                                                                   |
| 354613-10-1 |                      | FRANKLIN RESOURCES INC             |              | 09/14/2016       | WEEDEN & CO LP             | 12,000                          | 422                |           | 619            | 442                                                  | 177                                                |                                                        |                                                                               | 177                                                                               |                                                                                     | 619                                                           |                                                      | (197)                                     | (197)                               |                                                                    | 4                                              |                                                                   |
| 369550-10-8 |                      | GENERAL DYNAMICS CORP              |              | 09/14/2016       | WEEDEN & CO LP             | 15,000                          | 2,247              |           | 1,110          | 2,080                                                | (951)                                              |                                                        |                                                                               | (951)                                                                             |                                                                                     | 1,110                                                         |                                                      | 1,138                                     | 1,138                               |                                                                    | 33                                             |                                                                   |
| 369604-10-3 |                      | GENERAL ELECTRIC                   |              | 09/14/2016       | WEEDEN & CO LP             | 602,000                         | 17,873             |           | 19,425         | 16,732                                               | (5,326)                                            |                                                        |                                                                               | (5,326)                                                                           |                                                                                     | 13,425                                                        |                                                      | 4,448                                     | 4,448                               |                                                                    | 277                                            |                                                                   |
| 37045V-10-0 |                      | GENERAL MOTORS CORP                |              | 09/14/2016       | WEEDEN & CO LP             | 29,000                          | 990                |           | 985            | 986                                                  | 8                                                  |                                                        |                                                                               | 8                                                                                 |                                                                                     | 985                                                           |                                                      | (104)                                     | (104)                               |                                                                    | 33                                             |                                                                   |
| 375538-10-3 |                      | GILEAD SCIENCES INC                |              | 09/14/2016       | WEEDEN & CO LP             | 144,000                         | 11,176             |           | 7,294          | 14,571                                               | (7,278)                                            |                                                        |                                                                               | (7,278)                                                                           |                                                                                     | 7,294                                                         |                                                      | 3,882                                     | 3,882                               |                                                                    | 197                                            |                                                                   |
| 38141G-10-4 |                      | GOLDMAN SACHS                      |              | 09/14/2016       | WEEDEN & CO LP             | 23,000                          | 3,821              |           | 3,360          | 4,145                                                | (785)                                              |                                                        |                                                                               | (785)                                                                             |                                                                                     | 3,360                                                         |                                                      | 462                                       | 462                                 |                                                                    | 45                                             |                                                                   |
| 40412C-10-1 |                      | HCA HOLDINGS INC                   |              | 09/14/2016       | WEEDEN & CO LP             | 12,000                          | 901                |           | 842            | 812                                                  | 31                                                 |                                                        |                                                                               | 31                                                                                |                                                                                     | 842                                                           |                                                      | 59                                        | 59                                  |                                                                    |                                                |                                                                   |
| 40434L-10-5 |                      | HP INC                             |              | 09/14/2016       | WEEDEN & CO LP             | 77,000                          | 1,098              |           | 720            | 912                                                  | (191)                                              |                                                        |                                                                               | (191)                                                                             |                                                                                     | 720                                                           |                                                      | 378                                       | 378                                 |                                                                    | 19                                             |                                                                   |
| 410345-10-2 |                      | HANESBRANDS INC                    |              | 09/14/2016       | WEEDEN & CO LP             | 56,000                          | 1,462              |           | 1,912          | 1,848                                                | 264                                                |                                                        |                                                                               | 264                                                                               |                                                                                     | 1,912                                                         |                                                      | (450)                                     | (450)                               |                                                                    | 18                                             |                                                                   |
| 4224C-10-9  |                      | HEILETT PACKARD ENTERPRISE         |              | 09/14/2016       | WEEDEN & CO LP             | 222,000                         | 4,740              |           | 2,764          | 3,374                                                | (610)                                              |                                                        |                                                                               | (610)                                                                             |                                                                                     | 2,764                                                         |                                                      | 1,975                                     | 1,975                               |                                                                    | 24                                             |                                                                   |
| 436440-10-1 |                      | HOLLOGIC INC                       |              | 09/14/2016       | WEEDEN & CO LP             | 11,000                          | 411                |           | 412            |                                                      |                                                    |                                                        |                                                                               |                                                                                   |                                                                                     | 412                                                           |                                                      | (1)                                       | (1)                                 |                                                                    |                                                |                                                                   |
| 437076-10-2 |                      | HOME DEPOT INC                     |              | 09/14/2016       | WEEDEN & CO LP             | 101,000                         | 12,751             |           | 13,357         | 13,357                                               | (5,948)                                            |                                                        |                                                                               | (5,948)                                                                           |                                                                                     | 7,409                                                         |                                                      | 5,342                                     | 5,342                               |                                                                    | 209                                            |                                                                   |
| 438516-10-6 |                      | HONEYWELL INTERNATIONAL INC.       |              | 09/14/2016       | WEEDEN & CO LP             | 34,000                          | 3,877              |           | 2,501          | 3,371                                                | (1,021)                                            |                                                        |                                                                               | (1,021)                                                                           |                                                                                     | 2,501                                                         |                                                      | 1,376                                     | 1,376                               |                                                                    | 71                                             |                                                                   |
| 44107P-10-4 |                      | HOST HOTELS & RESORTS INC          |              | 09/14/2016       | WEEDEN & CO LP             | 26,000                          | 420                |           | 475            | 399                                                  | 76                                                 |                                                        |                                                                               | 76                                                                                |                                                                                     | 475                                                           |                                                      | (55)                                      | (55)                                |                                                                    | 10                                             |                                                                   |
| 45169K-30-6 |                      | IDERA PHARMACEUTICALS INC.         |              | 08/05/2016       | WELLS FARGO SECURITIES LLC | 371,759,000                     | 653,659            |           | 3,420,230      | 1,252,601                                            | 26,250                                             |                                                        |                                                                               | 26,250                                                                            |                                                                                     | 1,278,851                                                     |                                                      | (625,192)                                 | (625,192)                           |                                                                    |                                                |                                                                   |
| 452308-10-9 |                      | ILLUMINUS TOOL WORKS               |              | 09/14/2016       | WEEDEN & CO LP             | 1,974                           | 1,974              |           | 1,098          | 1,576                                                | (478)                                              |                                                        |                                                                               | (478)                                                                             |                                                                                     | 1,098                                                         |                                                      | 876                                       | 876                                 |                                                                    | 19                                             |                                                                   |
| 459140-10-0 |                      | INTEL CORP                         |              | 09/14/2016       | WEEDEN & CO LP             | 56,000                          | 1,394              |           | 1,342          | 1,529                                                | (387)                                              |                                                        |                                                                               | (387)                                                                             |                                                                                     | 1,342                                                         |                                                      | 652                                       | 652                                 |                                                                    | 44                                             |                                                                   |
| 459200-10-1 |                      | INTL BUSINESS MACHINES CORP I.B.M. |              | 09/14/2016       | WEEDEN & CO LP             | 12,000                          | 1,848              |           | 2,431          | 1,651                                                | 779                                                |                                                        |                                                                               | 779                                                                               |                                                                                     | 2,431                                                         |                                                      | (582)                                     | (582)                               |                                                                    |                                                |                                                                   |
| 46284V-10-1 |                      | IRON MOUNTAIN INC                  |              | 09/14/2016       | WEEDEN & CO LP             | 10,000                          | 356                |           | 353            | 270                                                  | 83                                                 |                                                        |                                                                               | 83                                                                                |                                                                                     | 353                                                           |                                                      | 3                                         | 3                                   |                                                                    | 15                                             |                                                                   |
| 46428V-10-9 |                      | ISHARES SILVER TRUST               |              | 08/05/2016       | WALLACHBETH CAPITAL        | 77,902,000                      | 1,460,631          |           | 1,185,243      | 1,027,327                                            | 157,716                                            |                                                        |                                                                               | 157,716                                                                           |                                                                                     | 1,185,243                                                     |                                                      | 275,387                                   | 275,387                             |                                                                    |                                                |                                                                   |
| 46625H-10-0 |                      | JP MORGAN CHASE & CO               |              | 09/14/2016       | WEEDEN & CO LP             | 89,000                          | 5,909              |           | 4,363          | 5,877                                                | (1,514)                                            |                                                        |                                                                               | (1,514)                                                                           |                                                                                     | 4,363                                                         |                                                      | 1,546                                     | 1,546                               |                                                                    | 121                                            |                                                                   |
| 473160-10-4 |                      | JOHNSON & JOHNSON                  |              | 09/14/2016       | WEEDEN & CO LP             | 61,000                          | 7,189              |           | 5,200          | 6,268                                                | (1,068)                                            |                                                        |                                                                               | (1,068)                                                                           |                                                                                     | 5,200                                                         |                                                      | 1,989                                     | 1,989                               |                                                                    | 166                                            |                                                                   |
| 473666-10-7 |                      | JOHNSON CONTROLS                   |              | 09/08/2016       | WEEDEN                     | 2,430,000                       | 119,189            |           | 91,409         | 94,618                                               | (4,678)                                            |                                                        |                                                                               | (4,678)                                                                           |                                                                                     | 91,409                                                        |                                                      | 21,780                                    | 21,780                              |                                                                    | 2,990                                          |                                                                   |

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

| 1                    | 2                                     | 3            | 4                | 5                    | 6                               | 7                  | 8         | 9              | 10                                                   | Change in Book/Adjusted Carrying Value             |                                                        |                                                                               |                                                                                   |                                                                                     | 16                                                            | 17                                                   | 18                                        | 19                                  | 20                                                                 | 21                                             | 22                                                                |
|----------------------|---------------------------------------|--------------|------------------|----------------------|---------------------------------|--------------------|-----------|----------------|------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------|-------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------|-------------------------------------------|-------------------------------------|--------------------------------------------------------------------|------------------------------------------------|-------------------------------------------------------------------|
|                      |                                       |              |                  |                      |                                 |                    |           |                |                                                      | 11                                                 | 12                                                     | 13                                                                            | 14                                                                                | 15                                                                                  |                                                               |                                                      |                                           |                                     |                                                                    |                                                |                                                                   |
| CUSIP Identification | Description                           | For-<br>eign | Disposal<br>Date | Name<br>of Purchaser | Number of<br>Shares of<br>Stock | Consid-<br>eration | Par Value | Actual<br>Cost | Prior Year<br>Book/<br>Adjusted<br>Carrying<br>Value | Unrealized<br>Valuation<br>Increase/<br>(Decrease) | Current<br>Year's<br>(Amor-<br>tization)/<br>Accretion | Current<br>Year's<br>Other Than<br>Temporary<br>Impairment<br>Recog-<br>nized | Total<br>Change in<br>Book/<br>Adjusted<br>Carrying<br>Value<br>(11 + 12 -<br>13) | Total<br>Foreign<br>Exchange<br>Change in<br>Book/<br>Adjusted<br>Carrying<br>Value | Book/<br>Adjusted<br>Carrying<br>Value at<br>Disposal<br>Date | Foreign<br>Exchange<br>Gain<br>(Loss) on<br>Disposal | Realized<br>Gain<br>(Loss) on<br>Disposal | Total Gain<br>(Loss) on<br>Disposal | Bond<br>Interest/<br>Stock<br>Dividends<br>Received<br>During Year | Stated<br>Con-<br>tractual<br>Maturity<br>Date | NAIC<br>Desig-<br>nation<br>or<br>Market<br>In-<br>dicator<br>(a) |
| 49456B-10-1          | KINDER MORGAN INC.                    |              | 09/14/2016       | WEEDEN & CO LP       | 18,000                          | 388                |           | 756            | 289                                                  | 488                                                |                                                        |                                                                               | 488                                                                               |                                                                                     | 756                                                           |                                                      | (369)                                     | (369)                               | 7                                                                  |                                                |                                                                   |
| 50255-10-4           | KOHL'S CORP                           |              | 09/14/2016       | WEEDEN & CO LP       | 15,000                          | 536                |           | 706            | 714                                                  | (8)                                                |                                                        |                                                                               | (8)                                                                               |                                                                                     | 706                                                           |                                                      | (70)                                      | (70)                                | 23                                                                 |                                                |                                                                   |
| 50104A-10-1          | KROGER CO                             |              | 09/14/2016       | WEEDEN & CO LP       | 98,000                          | 2,702              |           | 1,513          | 2,702                                                | (2,168)                                            |                                                        |                                                                               | (2,168)                                                                           |                                                                                     | 1,513                                                         |                                                      | 1,188                                     | 1,188                               | 29                                                                 |                                                |                                                                   |
| 532457-10-8          | LILLY (ELI) & CO                      |              | 09/14/2016       | WEEDEN & CO LP       | 17,000                          | 1,331              |           | 942            | 1,066                                                | (491)                                              |                                                        |                                                                               | (491)                                                                             |                                                                                     | 942                                                           |                                                      | 389                                       | 389                                 | 26                                                                 |                                                |                                                                   |
| 539830-10-9          | LOCKHEED MARTIN CORP                  |              | 09/14/2016       | WEEDEN & CO LP       | 5,000                           | 1,187              |           | 496            | 1,086                                                | (590)                                              |                                                        |                                                                               | (590)                                                                             |                                                                                     | 496                                                           |                                                      | 691                                       | 691                                 | 25                                                                 |                                                |                                                                   |
| 548661-10-7          | LOWE'S COMPANIES                      |              | 09/14/2016       | WEEDEN & CO LP       | 117,000                         | 8,220              |           | 4,496          | 8,897                                                | (4,400)                                            |                                                        |                                                                               | (4,400)                                                                           |                                                                                     | 4,496                                                         |                                                      | 3,823                                     | 3,823                               | 106                                                                |                                                |                                                                   |
| 571903-20-2          | MARILOTT INTERNATIONAL INC            |              | 09/26/2016       | FRACTIONAL SHARES    | 0,200                           | 14                 |           | 9              | 13                                                   | (5)                                                |                                                        |                                                                               | (5)                                                                               |                                                                                     |                                                               |                                                      | 5                                         | 5                                   |                                                                    |                                                |                                                                   |
| 576360-10-4          | MASTERCARD INC-CL A                   |              | 09/14/2016       | WEEDEN & CO LP       | 46,000                          | 4,540              |           | 2,544          | 4,479                                                | (1,935)                                            |                                                        |                                                                               | (1,935)                                                                           |                                                                                     | 2,544                                                         |                                                      | 1,997                                     | 1,997                               | 26                                                                 |                                                |                                                                   |
| 590135-10-1          | MCDONALD'S CORP                       |              | 09/14/2016       | WEEDEN & CO LP       | 98,000                          | 11,286             |           | 10,011         | 11,578                                               | (1,367)                                            |                                                        |                                                                               | (1,367)                                                                           |                                                                                     | 10,011                                                        |                                                      | 1,276                                     | 1,276                               | 262                                                                |                                                |                                                                   |
| 591650-10-3          | MOXESSON CORP                         |              | 09/14/2016       | WEEDEN & CO LP       | 10,000                          | 1,677              |           | 1,038          | 1,972                                                | (914)                                              |                                                        |                                                                               | (914)                                                                             |                                                                                     | 1,038                                                         |                                                      | 619                                       | 619                                 | 6                                                                  |                                                |                                                                   |
| 59833-10-5           | MERCK & COMPANY, INC.                 |              | 09/14/2016       | WEEDEN & CO LP       | 55,000                          | 3,374              |           | 2,586          | 2,905                                                | (320)                                              |                                                        |                                                                               | (320)                                                                             |                                                                                     | 2,586                                                         |                                                      | 788                                       | 788                                 | 51                                                                 |                                                |                                                                   |
| 594918-10-4          | MICROSOFT CORP                        |              | 09/14/2016       | WEEDEN & CO LP       | 265,000                         | 14,306             |           | 8,774          | 14,702                                               | (5,928)                                            |                                                        |                                                                               | (5,928)                                                                           |                                                                                     | 8,774                                                         |                                                      | 6,132                                     | 6,132                               | 286                                                                |                                                |                                                                   |
| 595112-10-3          | MICRON TECHNOLOGY                     |              | 09/14/2016       | WEEDEN & CO LP       | 11,000                          | 186                |           | 104            | 156                                                  | (52)                                               |                                                        |                                                                               | (52)                                                                              |                                                                                     | 104                                                           |                                                      | 82                                        | 82                                  |                                                                    |                                                |                                                                   |
| 609207-10-5          | MODELEZ INTERNATIONAL INC             |              | 09/14/2016       | WEEDEN & CO LP       | 78,000                          | 3,317              |           | 2,454          | 3,988                                                | (1,044)                                            |                                                        |                                                                               | (1,044)                                                                           |                                                                                     | 2,454                                                         |                                                      | 863                                       | 863                                 | 27                                                                 |                                                |                                                                   |
| 61168H-10-1          | MONSANTO CO                           |              | 09/14/2016       | WEEDEN & CO LP       | 17,000                          | 1,815              |           | 1,816          | 1,875                                                | 141                                                |                                                        |                                                                               | 141                                                                               |                                                                                     | 1,816                                                         |                                                      | (1)                                       | (1)                                 | 26                                                                 |                                                |                                                                   |
| 6171A-10-9           | MONSTER BEVERAGE CORPORATION          |              | 09/14/2016       | WEEDEN & CO LP       | 28,000                          | 4,001              |           | 1,579          | 4,171                                                | (2,591)                                            |                                                        |                                                                               | (2,591)                                                                           |                                                                                     | 1,579                                                         |                                                      | 2,421                                     | 2,421                               |                                                                    |                                                |                                                                   |
| 617446-44-8          | MORGAN STANLEY                        |              | 09/14/2016       | WEEDEN & CO LP       | 78,000                          | 2,461              |           | 1,728          | 2,481                                                | (753)                                              |                                                        |                                                                               | (753)                                                                             |                                                                                     | 1,728                                                         |                                                      | 732                                       | 732                                 | 39                                                                 |                                                |                                                                   |
| 63938C-10-8          | NAVIENT CORP                          |              | 09/14/2016       | WEEDEN & CO LP       | 41,000                          | 556                |           | 543            | 469                                                  | 74                                                 |                                                        |                                                                               | 74                                                                                |                                                                                     | 543                                                           |                                                      | 12                                        | 12                                  |                                                                    |                                                |                                                                   |
| 651229-10-6          | NEWMELL BRANDS, INC.                  |              | 08/04/2016       | ISI GROUP            | 168,134,000                     | 8,974,024          |           | 7,984,684      |                                                      |                                                    |                                                        |                                                                               |                                                                                   |                                                                                     | 7,984,684                                                     |                                                      | 980,340                                   | 980,340                             | 31,945                                                             |                                                |                                                                   |
| 654106-10-3          | NIKE, INC. CL B                       |              | 09/14/2016       | WEEDEN & CO LP       | 82,000                          | 4,520              |           | 2,608          | 5,125                                                | (2,517)                                            |                                                        |                                                                               | (2,517)                                                                           |                                                                                     | 2,608                                                         |                                                      | 1,912                                     | 1,912                               | 26                                                                 |                                                |                                                                   |
| 65584A-10-8          | NOFOLK SOUTHERN CORP                  |              | 09/14/2016       | WEEDEN & CO LP       | 12,000                          | 1,088              |           | 993            | 1,015                                                | (86)                                               |                                                        |                                                                               | (86)                                                                              |                                                                                     | 993                                                           |                                                      | 159                                       | 159                                 | 21                                                                 |                                                |                                                                   |
| 67066B-10-4          | NOVIA CORP                            |              | 09/30/2016       | VARIOUS              | 18,410                          | 1,115              |           | 254            | 599                                                  | (345)                                              |                                                        |                                                                               | (345)                                                                             |                                                                                     | 254                                                           |                                                      | 861                                       | 861                                 | 6                                                                  |                                                |                                                                   |
| 68689A-10-5          | ORACLE SYSTEMS                        |              | 09/14/2016       | WEEDEN & CO LP       | 176,000                         | 7,082              |           | 5,771          | 6,429                                                | (658)                                              |                                                        |                                                                               | (658)                                                                             |                                                                                     | 5,771                                                         |                                                      | 1,311                                     | 1,311                               | 79                                                                 |                                                |                                                                   |
| 693475-10-5          | PNC FINANCIAL SERVICES GROUP          |              | 09/14/2016       | WEEDEN & CO LP       | 11,000                          | 982                |           | 747            | 1,048                                                | (302)                                              |                                                        |                                                                               | (302)                                                                             |                                                                                     | 747                                                           |                                                      | 235                                       | 235                                 | 17                                                                 |                                                |                                                                   |
| 70450Y-10-3          | PAYPAL HOLDINGS INC                   |              | 09/14/2016       | WEEDEN & CO LP       | 47,000                          | 1,878              |           | 1,430          | 1,701                                                | (272)                                              |                                                        |                                                                               | (272)                                                                             |                                                                                     | 1,430                                                         |                                                      | 448                                       | 448                                 |                                                                    |                                                |                                                                   |
| 719448-10-8          | PEPSICO INC                           |              | 09/14/2016       | WEEDEN & CO LP       | 18,000                          | 1,691              |           | 1,485          | 1,798                                                | (314)                                              |                                                        |                                                                               | (314)                                                                             |                                                                                     | 1,485                                                         |                                                      | 406                                       | 406                                 | 40                                                                 |                                                |                                                                   |
| 743315-10-3          | PROGRESSIVE CORP OH                   |              | 09/14/2016       | WEEDEN & CO LP       | 10,000                          | 308                |           | 233            | 318                                                  | (65)                                               |                                                        |                                                                               | (65)                                                                              |                                                                                     | 253                                                           |                                                      | 55                                        | 55                                  | 9                                                                  |                                                |                                                                   |
| 744320-10-2          | PRUDENTIAL FINANCIAL INC.             |              | 09/14/2016       | WEEDEN & CO LP       | 19,000                          | 1,511              |           | 1,148          | 1,947                                                | (399)                                              |                                                        |                                                                               | (399)                                                                             |                                                                                     | 1,148                                                         |                                                      | 363                                       | 363                                 | 40                                                                 |                                                |                                                                   |
| 748667-10-1          | PULTE HOMES INC.                      |              | 09/14/2016       | WEEDEN & CO LP       | 13,000                          | 258                |           | 273            | 232                                                  | 41                                                 |                                                        |                                                                               | 41                                                                                |                                                                                     | 273                                                           |                                                      | (15)                                      | (15)                                | 2                                                                  |                                                |                                                                   |
| 747525-10-3          | QUALCOMM INC                          |              | 09/14/2016       | WEEDEN & CO LP       | 112,000                         | 6,897              |           | 6,903          | 5,996                                                | 1,304                                              |                                                        |                                                                               | 1,304                                                                             |                                                                                     | 6,903                                                         |                                                      | (6)                                       | (6)                                 | 172                                                                |                                                |                                                                   |
| 7591EP-10-0          | REGIONS FINANCIAL CORP                |              | 09/14/2016       | WEEDEN & CO LP       | 91,000                          | 965                |           | 773            | 974                                                  | (100)                                              |                                                        |                                                                               | (100)                                                                             |                                                                                     | 773                                                           |                                                      | 92                                        | 92                                  | 11                                                                 |                                                |                                                                   |
| 762375-10-0          | ROSS STORES INC                       |              | 09/14/2016       | WEEDEN & CO LP       | 15,000                          | 919                |           | 496            | 807                                                  | (312)                                              |                                                        |                                                                               | (312)                                                                             |                                                                                     | 496                                                           |                                                      | 424                                       | 424                                 | 6                                                                  |                                                |                                                                   |
| 78463V-10-7          | SPDR GOLD TRUST                       |              | 08/05/2016       | WALLACBETH CAPITAL   | 6,131,000                       | 821,701            |           | 768,858        | 622,651                                              | 146,806                                            |                                                        |                                                                               | 146,806                                                                           |                                                                                     | 800,304                                                       |                                                      | 21,378                                    | 21,378                              |                                                                    |                                                |                                                                   |
| 806867-10-8          | SCHLIMBERGER LTD                      |              | 09/14/2016       | WEEDEN & CO LP       | 17,000                          | 1,298              |           | 1,265          | 1,186                                                | 80                                                 |                                                        |                                                                               | 80                                                                                |                                                                                     | 1,265                                                         |                                                      | 33                                        | 33                                  | 17                                                                 |                                                |                                                                   |
| 85524A-10-9          | STARBUCKS CORP                        |              | 09/14/2016       | WEEDEN & CO LP       | 64,000                          | 3,449              |           | 1,947          | 3,942                                                | (1,895)                                            |                                                        |                                                                               | (1,895)                                                                           |                                                                                     | 1,947                                                         |                                                      | 1,502                                     | 1,502                               | 38                                                                 |                                                |                                                                   |
| 85500A-40-1          | STARWOOD HOTELS & RESORTS WORLDWIDE   |              | 09/23/2016       | WEEDEN               | 624,000                         | 47,289             |           | 39,309         | 40,070                                               | (761)                                              |                                                        |                                                                               | (761)                                                                             |                                                                                     | 39,309                                                        |                                                      | 7,960                                     | 7,960                               | 468                                                                |                                                |                                                                   |
| 857477-10-3          | STATE STREET CORP                     |              | 09/14/2016       | WEEDEN & CO LP       | 12,000                          | 533                |           | 702            | 796                                                  | (96)                                               |                                                        |                                                                               | (96)                                                                              |                                                                                     | 702                                                           |                                                      | 131                                       | 131                                 | 8                                                                  |                                                |                                                                   |
| 867914-10-3          | SUNTRUST BANK                         |              | 09/14/2016       | WEEDEN & CO LP       | 10,000                          | 434                |           | 428            | 438                                                  | (10)                                               |                                                        |                                                                               | (10)                                                                              |                                                                                     | 428                                                           |                                                      | 141                                       | 141                                 | 7                                                                  |                                                |                                                                   |
| 872375-10-0          | TECO ENERGY INC                       |              | 07/01/2016       | WEEDEN               | 883,000                         | 24,327             |           | 17,595         | 23,412                                               | (5,949)                                            |                                                        |                                                                               | (5,949)                                                                           |                                                                                     | 17,595                                                        |                                                      | 6,731                                     | 6,731                               | 401                                                                |                                                |                                                                   |
| 872540-10-9          | TJX COMPANIES, INC.                   |              | 09/14/2016       | WEEDEN & CO LP       | 37,000                          | 2,744              |           | 1,805          | 2,624                                                | (819)                                              |                                                        |                                                                               | (819)                                                                             |                                                                                     | 1,805                                                         |                                                      | 938                                       | 938                                 | 27                                                                 |                                                |                                                                   |
| 87612E-10-6          | TARGET CORP.                          |              | 09/14/2016       | WEEDEN & CO LP       | 54,000                          | 3,682              |           | 3,811          | 3,921                                                | (110)                                              |                                                        |                                                                               | (110)                                                                             |                                                                                     | 3,811                                                         |                                                      | (129)                                     | (129)                               | 93                                                                 |                                                |                                                                   |
| 882508-10-4          | TEXAS INSTRUMENTS INC                 |              | 09/14/2016       | WEEDEN & CO LP       | 13,000                          | 881                |           | 471            | 713                                                  | (242)                                              |                                                        |                                                                               | (242)                                                                             |                                                                                     | 471                                                           |                                                      | 410                                       | 410                                 | 15                                                                 |                                                |                                                                   |
| 887317-30-3          | TIME WARNER INC                       |              | 09/14/2016       | WEEDEN & CO LP       | 22,000                          | 1,677              |           | 1,361          | 1,423                                                | (162)                                              |                                                        |                                                                               | (162)                                                                             |                                                                                     | 1,361                                                         |                                                      | 416                                       | 416                                 | 27                                                                 |                                                |                                                                   |
| 90130A-10-1          | TWENTY-FIRST CENTURY FOX INC          |              | 09/14/2016       | WEEDEN & CO LP       | 100,000                         | 2,369              |           | 2,735          | 2,716                                                | 19                                                 |                                                        |                                                                               | 19                                                                                |                                                                                     | 2,735                                                         |                                                      | (366)                                     | (366)                               | 15                                                                 |                                                |                                                                   |
| 902973-30-4          | U.S. BANCORP                          |              | 09/14/2016       | WEEDEN & CO LP       | 55,000                          | 2,360              |           | 1,831          | 2,347                                                | (516)                                              |                                                        |                                                                               | (516)                                                                             |                                                                                     | 1,831                                                         |                                                      | 529                                       | 529                                 | 28                                                                 |                                                |                                                                   |
| 904311-20-6          | UNDER ARMOUR, INC. CLASS C            |              | 07/01/2016       | FRACTIONAL SHARES    | 0,000                           | 3                  |           |                |                                                      |                                                    |                                                        |                                                                               |                                                                                   |                                                                                     |                                                               |                                                      | 3                                         | 3                                   |                                                                    |                                                |                                                                   |
| 907818-10-8          | UNION PACIFIC CORP                    |              | 09/14/2016       | WEEDEN & CO LP       | 28,000                          | 2,596              |           | 2,072          | 2,190                                                | (118)                                              |                                                        |                                                                               | (118)                                                                             |                                                                                     | 2,072                                                         |                                                      | 524                                       | 524                                 | 46                                                                 |                                                |                                                                   |
| 911363-10-9          | UNITED RENTALS INC                    |              | 09/14/2016       | WEEDEN & CO LP       | 13,000                          | 1,023              |           | 1,443          | 943                                                  | 500                                                |                                                        |                                                                               | 500                                                                               |                                                                                     | 1,443                                                         |                                                      | (420)                                     | (420)                               |                                                                    |                                                |                                                                   |
| 912318-20-1          | US NATURAL GAS FUND LP                |              | 08/05/2016       | WALLACBETH CAPITAL   | 502,000                         | 4,167              |           | 6,651          | 4,352                                                | 2,298                                              |                                                        |                                                                               | 2,298                                                                             |                                                                                     | 6,651                                                         |                                                      | (2,485)                                   | (2,485)                             |                                                                    |                                                |                                                                   |
| 91930A-10-8          | VF CORP                               |              | 09/14/2016       | WEEDEN & CO LP       | 25,000                          | 1,451              |           | 1,114          | 1,556                                                | (442)                                              |                                                        |                                                                               | (442)                                                                             |                                                                                     | 1,114                                                         |                                                      | 337                                       | 337                                 | 28                                                                 |                                                |                                                                   |
| 92943V-10-4          | VERIZON COMMUNICATIONS INC            |              | 09/14/2016       | DIRECT(1)            | 33,000                          | 1,699              |           | 1,779          | 1,325                                                | 254                                                |                                                        |                                                                               | 254                                                                               |                                                                                     | 1,779                                                         |                                                      | (81)                                      | (81)                                | 56                                                                 |                                                |                                                                   |
| 929470-41-3          | RS FOCUSED GROWTH OPPORTUNITY CLASS Y |              | 08/26/2016       | DIRECT(1)            | 1,200,000,000                   | 11,968,000         |           | 12,000,000     | 11,784,000                                           | 216,000                                            |                                                        |                                                                               | 216,000                                                                           |                                                                                     | 12,000,000                                                    |                                                      | (432,000)                                 | (432,000)                           |                                                                    |                                                |                                                                   |
| 929470-42-1          | RS FOCUSED GROWTH OPPORTUNITY CLASS C |              | 08/26/2016       | DIRECT(1)            | 200,000,000                     | 1,898,000          |           | 2,000,000      | 1,948,000                                            | 52,000                                             |                                                        |                                                                               | 52,000                                                                            |                                                                                     | 2,000,000                                                     |                                                      | (102,000)                                 | (102,000)                           |                                                                    |                                                |                                                                   |
| 929470-43-9          | RS FOCUSED GROWTH OPPORTUNITY CLASS A |              | 08/26/2016       | DIRECT(1)            | 600,000,000                     | 5,760,000          |           | 6,000,000      | 5,880,000                                            | 120,000                                            |                                                        |                                                                               | 120,000                                                                           |                                                                                     | 6,000,000                                                     |                                                      | (240,000)                                 | (240,000)                           |                                                                    |                                                |                                                                   |
| 929470-44-7          | RS FOCUSED OPPORTUNITY CLASS Y        |              | 08/26/2016       | DIRECT(1)            | 100,000,000                     | 5,598,000          |           | 6,000,000      | 5,646,000                                            | 354,000                                            |                                                        |                                                                               | 354,000                                                                           |                                                                                     | 6,000,000                                                     |                                                      | (402,000)                                 | (402,000)                           |                                                                    |                                                |                                                                   |
| 929470-45-4          | RS FOCUSED OPPORTUNITY CLASS C        |              | 08/26/2016       | DIRECT(1)            | 100,000,000                     | 919,000            |           | 1,000,000      | 933,000                                              | 67,000                                             |                                                        |                                                                               | 67,000                                                                            |                                                                                     | 1,000,000                                                     |                                                      | (81,000)                                  | (81,000)                            |                                                                    |                                                |                                                                   |
| 929470-46-2          | RS FOCUSED OPPORTUNITY FUND CLASS A   |              | 08/26/2016       | DIRECT(1)            | 300,000,000                     | 2,790,000          |           | 3,000,000      | 2,817,000                                            | 183,000                                            |                                                        |                                                                               | 183,000                                                                           |                                                                                     | 3,000,000                                                     |                                                      | (210,000)                                 | (210,000)                           |                                                                    |                                                |                                                                   |
| 92926C-83-9          | VISA INC - CLASS A                    |              | 09/14/2016       | WEEDEN & CO LP       | 73,000                          | 5,948              |           | 3,075          | 5,561                                                | (2,367)                                            |                                                        |                                                                               | (2,367)                                                                           |                                                                                     | 3,075                                                         |                                                      | 2,873                                     | 2,873                               | 31                                                                 |                                                |                                                                   |

SCHEDULE D - PART 4

Show All Long-Term Bonds and Stock Sold, Redeemed or Otherwise Disposed of During the Current Quarter

| 1                    | 2                                                                      | 3       | 4             | 5                 | 6                         | 7              | 8         | 9             | 10                                      | Change In Book/Adjusted Carrying Value |           |     |             |     | 16                                            | 17                                       | 18                               | 19                            | 20                                                 | 21                                | 22                                       |     |
|----------------------|------------------------------------------------------------------------|---------|---------------|-------------------|---------------------------|----------------|-----------|---------------|-----------------------------------------|----------------------------------------|-----------|-----|-------------|-----|-----------------------------------------------|------------------------------------------|----------------------------------|-------------------------------|----------------------------------------------------|-----------------------------------|------------------------------------------|-----|
| CUSIP Identification | Description                                                            | Foreign | Disposal Date | Name of Purchaser | Number of Shares of Stock | Consid-eration | Par Value | Actual Cost   | Prior Year Book/Adjusted Carrying Value | 11                                     | 12        | 13  | 14          | 15  | Book/Adjusted Carrying Value at Disposal Date | Foreign Exchange Gain (Loss) on Disposal | Realized Gain (Loss) on Disposal | Total Gain (Loss) on Disposal | Bond Interest/Stock Dividends Received During Year | Stated Con-tractual Maturity Date | NAIC Designation or Market Indicator (a) |     |
| 331142-10-3          | WAL-MART STORES INC                                                    |         | 09/14/2016    | WEEDEN & CO LP    | 171,000                   | 12,228         |           | 13,292        | 10,482                                  | 2,810                                  |           |     | 2,810       |     | 13,292                                        |                                          | (1,064)                          | (1,064)                       | 257                                                |                                   |                                          |     |
| 949746-10-1          | WELLS FARGO COMPANY                                                    |         | 09/14/2016    | WEEDEN & CO LP    | 46,000                    | 2,138          |           | 1,748         | 2,301                                   | (733)                                  |           |     | (733)       |     | 1,748                                         |                                          | 732                              | 732                           | 52                                                 |                                   |                                          |     |
| 959802-10-9          | WESTERN UNION                                                          |         | 09/14/2016    | WEEDEN & CO LP    | 45,000                    | 913            |           | 667           | 806                                     | (139)                                  |           |     | (139)       |     | 667                                           |                                          | 246                              | 246                           | 22                                                 |                                   |                                          |     |
| 091442-10-6          | TYCO INTERNATIONAL PLC                                                 | E       | 09/06/2016    | EXCHANGE          | 1,520,330                 | 54,178         |           | 54,178        | 49,876                                  | 3,157                                  |           |     | 3,157       |     | 54,178                                        |                                          |                                  |                               | 1,334                                              |                                   |                                          |     |
| 098294-10-4          | XL GROUP PLC                                                           | E       | 09/14/2016    | WEEDEN & CO LP    | 22,000                    | 741            |           | 685           | 862                                     | (177)                                  |           |     | (177)       |     | 685                                           |                                          | 56                               | 56                            | 9                                                  |                                   |                                          |     |
| N53745-10-0          | LYONDELBASELL INDU-CL A                                                |         | 09/14/2016    | WEEDEN & CO LP    | 11,000                    | 830            |           | 668           | 956                                     | (288)                                  |           |     | (288)       |     | 668                                           |                                          | 162                              | 162                           | 27                                                 |                                   |                                          |     |
| 824819-10-6          | SHIRE PHARMACEUTICALS GROUP PLC                                        | F       | 09/01/2016    | FRACTIONAL SHARES | 0,000                     | (1)            |           |               |                                         | (733)                                  |           |     | (733)       |     | 1,388                                         |                                          | 1,118                            | 1,118                         | 22                                                 |                                   |                                          |     |
| 30408V-10-2          | AON PLC                                                                | F       | 09/14/2016    | WEEDEN & CO LP    | 23,000                    | 2,506          |           | 1,388         | 2,121                                   | (733)                                  |           |     | (733)       |     | 1,388                                         |                                          | 585                              | 585                           | 23                                                 |                                   |                                          |     |
| 5151C-10-1           | ACCENTURE PLC-CL A                                                     | F       | 09/14/2016    | WEEDEN & CO LP    | 21,000                    | 2,306          |           | 1,710         | 2,195                                   | (484)                                  |           |     | (484)       |     | 1,710                                         |                                          | 333                              | 333                           | 13                                                 |                                   |                                          |     |
| 627823-10-6          | DELPHI AUTOMOTIVE PLC                                                  | R       | 09/14/2016    | VARIOUS           | 15,000                    | 1,026          |           | 693           | 1,286                                   | (593)                                  |           |     | (593)       |     | 693                                           |                                          | 173                              | 173                           |                                                    |                                   |                                          |     |
| 651502-10-5          | JOHNSON CONTROLS INTERNATIONAL                                         | F       | 09/14/2016    | VARIOUS           | 19,330                    | 862            |           | 689           | 862                                     |                                        |           |     |             |     | 689                                           |                                          | 526                              | 526                           | 11                                                 |                                   |                                          |     |
| 65960L-10-3          | MEDTRONIC PLC                                                          | R       | 09/14/2016    | WEEDEN & CO LP    | 14,000                    | 1,185          |           | 659           | 1,077                                   | (417)                                  |           |     | (417)       |     | 659                                           |                                          | 690                              | 690                           | 43                                                 |                                   |                                          |     |
| H84989-10-4          | TE CONNECTIVITY LTD                                                    | F       | 09/14/2016    | WEEDEN & CO LP    | 40,000                    | 2,432          |           | 1,742         | 2,584                                   | (842)                                  |           |     | (842)       |     | 1,742                                         |                                          |                                  |                               |                                                    |                                   |                                          |     |
| 90999999             | Subtotal - Common Stocks - Industrial and Miscellaneous (Unaffiliated) |         |               |                   |                           | 54,878,587     | XXX       | 50,883,031    | 43,577,345                              | (3,097,927)                            |           |     | (3,097,927) |     | 48,773,098                                    |                                          | 6,105,460                        | 6,105,460                     | 171,337                                            | XXX                               | XXX                                      |     |
| 74972H-14-3          | RS GLOBAL GROWTH FUND CLASS K                                          |         | 08/11/2016    | DIRECT(1)         | 457,178,420               | 5,595,864      |           | 4,640,811     | 5,257,552                               | (616,741)                              |           |     | (616,741)   |     | 4,640,811                                     |                                          | 955,053                          | 955,053                       |                                                    |                                   |                                          |     |
| 74972H-15-0          | RS GLOBAL GROWTH FUND CLASS C                                          |         | 08/12/2016    | DIRECT(1)         | 454,501,653               | 5,489,470      |           | 4,609,744     | 5,190,409                               | (580,664)                              |           |     | (580,664)   |     | 4,609,744                                     |                                          | 889,726                          | 889,726                       |                                                    |                                   |                                          |     |
| 74972K-20-3          | RS GREATER CHINA FUND CLASS C                                          |         | 08/12/2016    | DIRECT(1)         | 403,939,092               | 4,233,518      |           | 4,038,171     | 4,118,415                               | (80,245)                               |           |     | (80,245)    |     | 4,038,171                                     |                                          | 195,348                          | 195,348                       |                                                    |                                   |                                          |     |
| 74972K-49-2          | RS BIERLING MARKET SMALL CAP FUND CL C                                 |         | 08/12/2016    | DIRECT(1)         | 250,000,000               | 2,522,500      |           | 2,500,000     | 2,390,000                               | 110,000                                |           |     | 110,000     |     | 2,500,000                                     |                                          | 22,500                           | 22,500                        |                                                    |                                   |                                          |     |
| 926470-59-5          | RS INVESTORS FUND CLASS Y                                              |         | 08/12/2016    | DIRECT(1)         | 1,879,800,000             | 25,227,214     |           | 23,919,720    | 23,606,516                              | 313,204                                |           |     | 313,204     |     | 23,919,720                                    |                                          | 1,307,494                        | 1,307,494                     |                                                    |                                   |                                          |     |
| 926470-76-9          | RS GLOBAL GROWTH FUND CLASS A                                          |         | 08/12/2016    | DIRECT(1)         | 523,553,000               | 6,447,908      |           | 5,235,530     | 5,662,273                               | (426,743)                              |           |     | (426,743)   |     | 5,235,530                                     |                                          | 1,212,378                        | 1,212,378                     |                                                    |                                   |                                          |     |
| 926470-79-3          | RS BIERLING MARKET SMALL CAP FUND CL A                                 |         | 08/11/2016    | DIRECT(1)         | 256,268,000               | 2,636,998      |           | 2,562,680     | 2,483,237                               | 79,443                                 |           |     | 79,443      |     | 2,562,680                                     |                                          | 74,318                           | 74,318                        |                                                    |                                   |                                          |     |
| 926470-86-8          | RS GREATER CHINA FUND CLASS K                                          |         | 08/12/2016    | DIRECT(1)         | 239,052,000               | 2,524,389      |           | 2,380,520     | 2,455,064                               | (64,544)                               |           |     | (64,544)    |     | 2,380,520                                     |                                          | 133,869                          | 133,869                       |                                                    |                                   |                                          |     |
| 92999999             | Subtotal - Common Stocks - Mutual Funds                                |         |               |                   |                           | 54,687,861     | XXX       | 49,897,176    | 51,163,466                              | (1,266,290)                            |           |     | (1,266,290) |     | 49,897,176                                    |                                          | 4,790,686                        | 4,790,686                     |                                                    | XXX                               | XXX                                      |     |
| 97999997             | Total - Common Stocks - Part 4                                         |         |               |                   |                           | 109,586,448    | XXX       | 100,780,207   | 94,740,811                              | (4,364,217)                            |           |     | (4,364,217) |     | 98,670,274                                    |                                          | 10,896,146                       | 10,896,146                    | 171,337                                            | XXX                               | XXX                                      |     |
| 97999998             | Total - Common Stocks - Part 5                                         |         |               |                   |                           |                | XXX       | XXX           | XXX                                     | XXX                                    | XXX       | XXX | XXX         | XXX | XXX                                           | XXX                                      | XXX                              | XXX                           | XXX                                                | XXX                               | XXX                                      | XXX |
| 97999999             | Total - Common Stocks                                                  |         |               |                   |                           | 109,586,448    | XXX       | 100,780,207   | 94,740,811                              | (4,364,217)                            |           |     | (4,364,217) |     | 98,670,274                                    |                                          | 10,896,146                       | 10,896,146                    | 171,337                                            | XXX                               | XXX                                      |     |
| 98999999             | Total - Preferred and Common Stocks                                    |         |               |                   |                           | 177,226,238    | XXX       | 174,395,046   | 165,979,569                             | (3,729,889)                            |           |     | (3,729,889) |     | 172,265,113                                   |                                          | 4,941,098                        | 4,941,098                     | 3,445,473                                          | XXX                               | XXX                                      |     |
| 99999999             | Totals                                                                 |         |               |                   |                           | 4,356,434,884  | XXX       | 4,179,015,763 | 1,997,281,934                           | (3,729,889)                            | 1,017,461 |     | (2,712,428) |     | 4,165,192,383                                 |                                          | 191,242,467                      | 191,242,467                   | 113,944,579                                        | XXX                               | XXX                                      |     |

(a) For all common stock bearing the NAIC market indicator "U" provide: the number of such issues.....



SCHEDULE DB - PART A - SECTION 1

Showing all Options, Caps, Floors, Collars, Swaps and Forwards Open as of Current Statement Date

| 1                                                           | 2                                                                       | 3                            | 4                      | 5                                               | 6                 | 7                              | 8                   | 9               | 10                                          | 11                                                               | 12                                           | 13                  | 14                            | 15   | 16         | 17                                        | 18                                        | 19                                       | 20                                          | 21                 | 22                                 | 23                                                      |
|-------------------------------------------------------------|-------------------------------------------------------------------------|------------------------------|------------------------|-------------------------------------------------|-------------------|--------------------------------|---------------------|-----------------|---------------------------------------------|------------------------------------------------------------------|----------------------------------------------|---------------------|-------------------------------|------|------------|-------------------------------------------|-------------------------------------------|------------------------------------------|---------------------------------------------|--------------------|------------------------------------|---------------------------------------------------------|
| Description                                                 | Description of Item(s) Hedged, Used for Income Generation or Replicated | Schedule/ Exhibit Identifier | Type(s) of Risk(s) (a) | Exchange, Counterparty or Central Clearinghouse | Trade Date        | Date of Maturity or Expiration | Number of Contracts | Notional Amount | Strike Price, Rate or Index Received (Paid) | Cumulative Prior Year(s) Initial Cost of Premium (Received) Paid | Current Year Initial Premium (Received) Paid | Current Year Income | Book/ Adjusted Carrying Value | Code | Fair Value | Unrealized Valuation Increase/ (Decrease) | Total Foreign Exchange Change in B/A.C.V. | Current Year's (Amortization)/ Accretion | Adjustment to Carrying Value of Hedged Item | Potential Exposure | Credit Quality of Reference Entity | Hedge Effectiveness at Inception and at Quarter-end (b) |
| S&P 500 OPTIONS SPREAD                                      | S&P 500 INDEX                                                           | LIABILITIES                  | Equity/Index           | GOUDMAN SACHS                                   | LC27YIGSLHFXYMD90 | 09/20/2016                     | 361,492             | 773,506         | 2225.3504                                   |                                                                  |                                              |                     | 24,732                        | XXX  | 24,732     | 24,732                                    |                                           |                                          |                                             | 3,814              | XXX                                | XXX                                                     |
| 0079999 Subtotal - Purchased Options - Hedging Effective    |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     | 24,732                        | XXX  | 24,732     | 24,732                                    |                                           |                                          |                                             | 3,814              | XXX                                | XXX                                                     |
| 0079999 Subtotal - Purchased Options - Hedging Effective    |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     | 24,732                        | XXX  | 24,732     | 24,732                                    |                                           |                                          |                                             | 3,814              | XXX                                | XXX                                                     |
| 0149999 Subtotal - Purchased Options - Hedging Other        |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0219999 Subtotal - Purchased Options - Replications         |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0299999 Subtotal - Purchased Options - Income Generation    |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0359999 Subtotal - Purchased Options - Other                |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0369999 Total Purchased Options - Call Options and Warrants |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     | 24,732                        | XXX  | 24,732     | 24,732                                    |                                           |                                          | 3,814                                       | XXX                | XXX                                | XXX                                                     |
| 0379999 Total Purchased Options - Put Options               |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0389999 Total Purchased Options - Caps                      |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0399999 Total Purchased Options - Floors                    |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0409999 Total Purchased Options - Collars                   |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0419999 Total Purchased Options - Other                     |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0429999 Total Purchased Options                             |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     | 24,732                        | XXX  | 24,732     | 24,732                                    |                                           |                                          | 3,814                                       | XXX                | XXX                                | XXX                                                     |
| 0499999 Subtotal - Written Options - Hedging Effective      |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0569999 Subtotal - Written Options - Hedging Other          |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0639999 Subtotal - Written Options - Replications           |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0709999 Subtotal - Written Options - Income Generation      |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0779999 Subtotal - Written Options - Other                  |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0789999 Total Written Options - Call Options and Warrants   |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0799999 Total Written Options - Put Options                 |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0809999 Total Written Options - Caps                        |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0819999 Total Written Options - Floors                      |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0829999 Total Written Options - Collars                     |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0839999 Total Written Options - Other                       |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| 0849999 Total Written Options                               |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     |                               | XXX  |            |                                           |                                           |                                          |                                             |                    | XXX                                | XXX                                                     |
| TO BUY USD SELL AUD                                         | AUD                                                                     | D PART 1                     | Currency               | BANK OF AMERICA                                 | 0774              | 02/08/2016                     |                     | 4,003,736       | 1,4154                                      |                                                                  |                                              |                     | (338,886)                     |      | (338,886)  | (338,886)                                 |                                           |                                          |                                             | 54,406             | N/A                                | 0001                                                    |
| TO BUY USD SELL AUD                                         | AUD                                                                     | D PART 1                     | Currency               | BANK OF AMERICA                                 | 0774              | 02/08/2016                     |                     | 4,003,736       | 1,4154                                      |                                                                  |                                              |                     | (338,886)                     |      | (338,886)  | (338,886)                                 |                                           |                                          |                                             | 57,891             | N/A                                | 0001                                                    |
| TO BUY USD SELL AUD                                         | AUD                                                                     | D PART 1                     | Currency               | BANK OF AMERICA                                 | 0774              | 02/08/2016                     |                     | 4,003,736       | 1,4154                                      |                                                                  |                                              |                     | (338,886)                     |      | (338,886)  | (338,886)                                 |                                           |                                          |                                             | 61,338             | N/A                                | 0001                                                    |
| TO BUY USD SELL CAD                                         | CAD                                                                     | D PART 1                     | Currency               | BANK OF AMERICA                                 | 0774              | 11/20/2015                     |                     | 15,031,943      | 1,3305                                      |                                                                  |                                              |                     | (215,446)                     |      | (215,446)  | (783,981)                                 |                                           |                                          |                                             | 228,140            | N/A                                | 0001                                                    |
| TO BUY USD SELL CHF                                         | CHF                                                                     | D PART 1                     | Currency               | BANK OF AMERICA                                 | 0774              | 09/11/2015                     |                     | 20,502,306      | .9755                                       |                                                                  |                                              |                     | (73,826)                      |      | (73,826)   | (570,130)                                 |                                           |                                          |                                             | 308,002            | N/A                                | 0001                                                    |
| TO BUY USD SELL EUR                                         | EUR                                                                     | D PART 1                     | Currency               | BANK OF AMERICA                                 | 0774              | 09/17/2014                     |                     | 25,920,000      | 1,2960                                      |                                                                  |                                              |                     | 3,464,000                     |      | 3,464,000  | (724,000)                                 |                                           |                                          |                                             | 369,378            | N/A                                | 0001                                                    |
| TO BUY USD SELL EUR                                         | EUR                                                                     | D PART 1                     | Currency               | BANK OF AMERICA                                 | 0774              | 06/04/2015                     |                     | 22,504,000      | 1,1252                                      |                                                                  |                                              |                     | 48,000                        |      | 48,000     | (724,000)                                 |                                           |                                          |                                             | 368,745            | N/A                                | 0001                                                    |
| TO BUY USD SELL EUR                                         | EUR                                                                     | D PART 1                     | Currency               | BANK OF AMERICA                                 | 0774              | 04/13/2016                     |                     | 16,926,000      | 1,1284                                      |                                                                  |                                              |                     | 84,000                        |      | 84,000     | 84,000                                    |                                           |                                          |                                             | 262,179            | N/A                                | 0001                                                    |
| TO BUY USD SELL GBP                                         | GBP                                                                     | D PART 1                     | Currency               | BANK OF AMERICA                                 | 0774              | 02/26/2015                     |                     | 20,026,500      | 1,5405                                      |                                                                  |                                              |                     | 3,165,500                     |      | 3,165,500  | 2,293,200                                 |                                           |                                          |                                             | 293,365            | N/A                                | 0001                                                    |
| TO BUY USD SELL GBP                                         | GBP                                                                     | D PART 1                     | Currency               | BANK OF AMERICA                                 | 0774              | 04/24/2015                     |                     | 22,671,000      | 1,5114                                      |                                                                  |                                              |                     | 3,216,000                     |      | 3,216,000  | 2,646,000                                 |                                           |                                          |                                             | 333,585            | N/A                                | 0001                                                    |
| TO BUY USD SELL GBP                                         | GBP                                                                     | D PART 1                     | Currency               | BANK OF AMERICA                                 | 0774              | 10/08/2014                     |                     | 19,270,800      | 1,6059                                      |                                                                  |                                              |                     | 3,706,800                     |      | 3,706,800  | 2,116,800                                 |                                           |                                          |                                             | 350,471            | N/A                                | 0001                                                    |
| TO BUY USD SELL GBP                                         | GBP                                                                     | D PART 1                     | Currency               | BANK OF AMERICA                                 | 0774              | 05/24/2016                     |                     | 17,516,400      | 1,4597                                      |                                                                  |                                              |                     | 1,952,400                     |      | 1,952,400  | 1,952,400                                 |                                           |                                          |                                             | 281,861            | N/A                                | 0001                                                    |
| TO BUY USD SELL GBP                                         | GBP                                                                     | D PART 1                     | Currency               | BANK OF AMERICA                                 | 0774              | 08/11/2016                     |                     | 22,715,000      | 1,298                                       |                                                                  |                                              |                     | 17,500                        |      | 17,500     | 17,500                                    |                                           |                                          |                                             | 300,020            | N/A                                | 0001                                                    |
| TO BUY USD SELL GBP                                         | GBP                                                                     | D PART 1                     | Currency               | BANK OF AMERICA                                 | 0774              | 05/25/2016                     |                     | 22,077,000      | 1,4716                                      |                                                                  |                                              |                     | 2,622,000                     | XXX  | 2,622,000  | 2,622,000                                 |                                           |                                          |                                             | 379,361            | N/A                                | 0001                                                    |
| 0899999 Subtotal - Swaps - Hedging Effective - Other        |                                                                         |                              |                        |                                                 |                   |                                |                     |                 |                                             |                                                                  |                                              |                     | 16,970,289                    | XXX  | 16,970,289 | 7,913,130                                 |                                           |                                          |                                             | 3,648,632          | XXX                                | XXX                                                     |

SCHEDULE DB - PART A - SECTION 1

Showing all Options, Caps, Floors, Collars, Swaps and Forwards Open as of Current Statement Date

| 1                                            | 2                                                                       | 3                            | 4                      | 5                                               | 6          | 7                              | 8                   | 9               | 10                                          | 11                                                            | 12                                           | 13                  | 14                            | 15   | 16         | 17                                        | 18                                        | 19                                         | 20                                          | 21                 | 22                                   | 23                                                      |
|----------------------------------------------|-------------------------------------------------------------------------|------------------------------|------------------------|-------------------------------------------------|------------|--------------------------------|---------------------|-----------------|---------------------------------------------|---------------------------------------------------------------|----------------------------------------------|---------------------|-------------------------------|------|------------|-------------------------------------------|-------------------------------------------|--------------------------------------------|---------------------------------------------|--------------------|--------------------------------------|---------------------------------------------------------|
| Description                                  | Description of Item(s) Hedged, Used for Income Generation or Replicated | Schedule/ Exhibit Identifier | Type(s) of Risk(s) (a) | Exchange, Counterparty or Central Clearinghouse | Trade Date | Date of Maturity or Expiration | Number of Contracts | Notional Amount | Strike Price, Rate or Index Received (Paid) | Cumulative Prior Year Initial Cost of Premium (Received) Paid | Current Year Initial Premium (Received) Paid | Current Year Income | Book/ Adjusted Carrying Value | Code | Fair Value | Unrealized Valuation Increase/ (Decrease) | Total Foreign Exchange Change in B/A.C.V. | Current Year's (Amorti- zation)/ Accretion | Adjustment to Carrying Value of Hedged Item | Potential Exposure | Credit Quality of Refer- ence Entity | Hedge Effectiveness at Inception and at Quarter-end (b) |
| 0909999 Subtotal - Swaps - Hedging Effective |                                                                         |                              |                        |                                                 |            |                                |                     |                 |                                             |                                                               |                                              |                     | 16,970,269                    | XXX  | 16,970,269 | 7,913,130                                 |                                           |                                            |                                             | 3,648,632          | XXX                                  | XXX                                                     |
| 0909999 Subtotal - Swaps - Hedging Other     |                                                                         |                              |                        |                                                 |            |                                |                     |                 |                                             |                                                               |                                              |                     |                               | XXX  |            |                                           |                                           |                                            |                                             |                    | XXX                                  | XXX                                                     |
| 1029999 Subtotal - Swaps - Replication       |                                                                         |                              |                        |                                                 |            |                                |                     |                 |                                             |                                                               |                                              |                     |                               | XXX  |            |                                           |                                           |                                            |                                             |                    | XXX                                  | XXX                                                     |
| 1089999 Subtotal - Swaps - Income Generation |                                                                         |                              |                        |                                                 |            |                                |                     |                 |                                             |                                                               |                                              |                     |                               | XXX  |            |                                           |                                           |                                            |                                             |                    | XXX                                  | XXX                                                     |
| 1149999 Subtotal - Swaps - Other             |                                                                         |                              |                        |                                                 |            |                                |                     |                 |                                             |                                                               |                                              |                     |                               | XXX  |            |                                           |                                           |                                            |                                             |                    | XXX                                  | XXX                                                     |
| 1159999 Total Swaps - Interest Rate          |                                                                         |                              |                        |                                                 |            |                                |                     |                 |                                             |                                                               |                                              |                     |                               | XXX  |            |                                           |                                           |                                            |                                             |                    | XXX                                  | XXX                                                     |
| 1169999 Total Swaps - Credit Default         |                                                                         |                              |                        |                                                 |            |                                |                     |                 |                                             |                                                               |                                              |                     |                               | XXX  |            |                                           |                                           |                                            |                                             |                    | XXX                                  | XXX                                                     |
| 1179999 Total Swaps - Foreign Exchange       |                                                                         |                              |                        |                                                 |            |                                |                     |                 |                                             |                                                               |                                              |                     |                               | XXX  |            |                                           |                                           |                                            |                                             |                    | XXX                                  | XXX                                                     |
| 1189999 Total Swaps - Total Return           |                                                                         |                              |                        |                                                 |            |                                |                     |                 |                                             |                                                               |                                              |                     |                               | XXX  |            |                                           |                                           |                                            |                                             |                    | XXX                                  | XXX                                                     |
| 1199999 Total Swaps - Other                  |                                                                         |                              |                        |                                                 |            |                                |                     |                 |                                             |                                                               |                                              |                     | 16,970,269                    | XXX  | 16,970,269 | 7,913,130                                 |                                           |                                            |                                             | 3,648,632          | XXX                                  | XXX                                                     |
| 1209999 Total Swaps                          |                                                                         |                              |                        |                                                 |            |                                |                     |                 |                                             |                                                               |                                              |                     | 16,970,269                    | XXX  | 16,970,269 | 7,913,130                                 |                                           |                                            |                                             | 3,648,632          | XXX                                  | XXX                                                     |
| 1269999 Subtotal - Forwards                  |                                                                         |                              |                        |                                                 |            |                                |                     |                 |                                             |                                                               |                                              |                     |                               | XXX  |            |                                           |                                           |                                            |                                             |                    | XXX                                  | XXX                                                     |
| 1399999 Subtotal - Hedging Effective         |                                                                         |                              |                        |                                                 |            |                                |                     |                 |                                             |                                                               |                                              |                     | 16,995,001                    | XXX  | 16,995,001 | 7,937,862                                 |                                           |                                            |                                             | 3,652,446          | XXX                                  | XXX                                                     |
| 1409999 Subtotal - Hedging Other             |                                                                         |                              |                        |                                                 |            |                                |                     |                 |                                             |                                                               |                                              |                     |                               | XXX  |            |                                           |                                           |                                            |                                             |                    | XXX                                  | XXX                                                     |
| 1419999 Subtotal - Replication               |                                                                         |                              |                        |                                                 |            |                                |                     |                 |                                             |                                                               |                                              |                     |                               | XXX  |            |                                           |                                           |                                            |                                             |                    | XXX                                  | XXX                                                     |
| 1429999 Subtotal - Income Generation         |                                                                         |                              |                        |                                                 |            |                                |                     |                 |                                             |                                                               |                                              |                     |                               | XXX  |            |                                           |                                           |                                            |                                             |                    | XXX                                  | XXX                                                     |
| 1439999 Subtotal - Other                     |                                                                         |                              |                        |                                                 |            |                                |                     |                 |                                             |                                                               |                                              |                     |                               | XXX  |            |                                           |                                           |                                            |                                             |                    | XXX                                  | XXX                                                     |
| 1449999 - Totals                             |                                                                         |                              |                        |                                                 |            |                                |                     |                 |                                             |                                                               |                                              |                     | 16,995,001                    | XXX  | 16,995,001 | 7,937,862                                 |                                           |                                            |                                             | 3,652,446          | XXX                                  | XXX                                                     |

| (a) | Code | Description of Hedged Risk(s) |
|-----|------|-------------------------------|
|     |      |                               |
|     |      |                               |

| (b) | Code | Financial or Economic Impact of the Hedge at the End of the Reporting Period |
|-----|------|------------------------------------------------------------------------------|
|     | 0001 | HEGE CURRENCY RISK OF PRIVATE PLACEMENT BONDS                                |
|     | 0002 | HEGE S&P INDEX                                                               |
|     |      |                                                                              |
|     |      |                                                                              |

STATEMENT AS OF SEPTEMBER 30, 2016 OF THE GUARDIAN LIFE INSURANCE COMPANY OF AMERICA

SCHEDULE DB - PART B - SECTION 1

| Futures Contracts Open as of the Current Statement Date |                     |                 |                                    |                                                                         |                             |                        |                                |          |            |                   |                      |            |                              |                             |                           |                                                                            |                                                  |                                                                   |                    |                                                     |                        |
|---------------------------------------------------------|---------------------|-----------------|------------------------------------|-------------------------------------------------------------------------|-----------------------------|------------------------|--------------------------------|----------|------------|-------------------|----------------------|------------|------------------------------|-----------------------------|---------------------------|----------------------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------------------------|--------------------|-----------------------------------------------------|------------------------|
| 1                                                       | 2                   | 3               | 4                                  | 5                                                                       | 6                           | 7                      | 8                              | 9        | 10         | 11                | 12                   | 13         | 14                           | Highly Effective Hedges     |                           |                                                                            | 18                                               | 19                                                                | 20                 | 21                                                  | 22                     |
| Ticker Symbol                                           | Number of Contracts | Notional Amount | Description                        | Description of Item(s) Hedged, Used for Income Generation or Replicated | Schedule/Exhibit Identifier | Type(s) of Risk(s) (a) | Date of Maturity or Expiration | Exchange | Trade Date | Transaction Price | Reporting Date Price | Fair Value | Book/Adjusted Carrying Value | 15                          | 16                        | 17                                                                         | Cumulative Variation Margin for All Other Hedges | Change in Variation Margin Gain (Loss) Recognized in Current Year | Potential Exposure | Hedge Effectiveness at Inception and at Quarter-end | Value of One (1) Point |
|                                                         |                     |                 |                                    |                                                                         |                             |                        |                                |          |            |                   |                      |            |                              | Cumulative Variation Margin | Deferred Variation Margin | Change in Variation Margin Gain (Loss) Used to Adjust Basis of Hedged Item |                                                  |                                                                   |                    |                                                     |                        |
| ESZ6                                                    | 901                 | 45,050          | DEC 2016 S&P 500 FUTURES           | COMPANY PLAN HEDGE                                                      | LIABILITIES                 | Equity/1 Index         | 12/16/2016                     | ONE      | 09/12/2016 | 2,116,000         | 2,160,400            |            |                              | 2,000,220                   |                           | 2,000,220                                                                  |                                                  |                                                                   | 4,054,500          | 100/99                                              | 50                     |
| FAZ6                                                    | 112                 | 11,200          | DEC 2016 S&P MID 400 MINI FUTURES  | COMPANY PLAN HEDGE                                                      | LIABILITIES                 | Equity/1 Index         | 12/16/2016                     | ONE      | 09/12/2016 | 1,523,9883        | 1,549,600            |            |                              | 286,850                     |                           | 286,850                                                                    |                                                  |                                                                   | 694,400            | 99/99                                               | 100                    |
| MESZ6                                                   | 269                 | 13,450          | EMRG MKT FUTURES                   | COMPANY PLAN HEDGE                                                      | LIABILITIES                 | Equity/1 Index         | 12/16/2016                     | ICE      | 09/12/2016 | 892,5000          | 912,5000             |            |                              | 269,000                     |                           | 269,000                                                                    |                                                  |                                                                   | 538,000            | 97/96                                               | 50                     |
| MFZ6                                                    | 261                 | 13,050          | EMRG INDEX FUTURES                 | COMPANY PLAN HEDGE                                                      | LIABILITIES                 | Equity/1 Index         | 12/16/2016                     | ICE      | 09/12/2016 | 1,688,7000        | 1,706,7000           |            |                              | 234,900                     |                           | 234,900                                                                    |                                                  |                                                                   | 1,096,200          | 97/96                                               | 50                     |
| RTAZ6                                                   | 170                 | 17,000          | DEC 2016 RUSSELL 2000 MINI FUTURES | COMPANY PLAN HEDGE                                                      | LIABILITIES                 | Equity/1 Index         | 12/16/2016                     | ICE      | 09/12/2016 | 1,210,1500        | 1,248,3000           |            |                              | 648,550                     |                           | 648,550                                                                    |                                                  |                                                                   | 1,003,000          | 100/100                                             | 100                    |
| 1279999. Subtotal - Long Futures - Hedging Effective    |                     |                 |                                    |                                                                         |                             |                        |                                |          |            |                   |                      |            |                              |                             |                           |                                                                            |                                                  |                                                                   |                    |                                                     |                        |
| FVZ6                                                    | 3,216               | 3,216,000       | DEC 2016 3MT 5-YR TNOTE            | DURATION HEDGE                                                          | SCH D1                      | Interest Rate          | 12/30/2016                     | ONE      | 08/31/2016 | 121,2304          | 121,5156             |            | 390,794,266                  |                             |                           |                                                                            | 917,387                                          | 917,387                                                           | 2,572,800          | 0001                                                |                        |
| TUZ6                                                    | 362                 | 724,000         | DEC 2016 2 YR T NOTES              | DURATION HEDGE                                                          | SCH D1                      | Interest Rate          | 12/30/2016                     | ONE      | 06/16/2016 | 109,0390          | 109,2343             |            | 79,085,684                   |                             |                           |                                                                            | 141,404                                          | 141,404                                                           | 199,100            | 0001                                                |                        |
| TVZ6                                                    | 1,635               | 1,635,000       | DEC 2016 10-YR TNOTE               | DURATION HEDGE                                                          | SCH D1                      | Interest Rate          | 12/30/2016                     | ONE      | 08/29/2016 | 130,5344          | 131,1250             |            | 214,389,375                  |                             |                           |                                                                            | 965,603                                          | 965,603                                                           | 2,207,250          | 0001                                                |                        |
| UZ6                                                     | 3,687               | 3,687,000       | DEC 2016 3MT US LONG TBOND         | DURATION HEDGE                                                          | SCH D1                      | Interest Rate          | 12/30/2016                     | ONE      | 06/16/2016 | 168,8750          | 168,1562             |            | 619,992,094                  |                             |                           |                                                                            | (2,650,031)                                      | (2,650,031)                                                       | 13,826,250         | 0001                                                |                        |
| WVZ6                                                    | 1,562               | 1,562,000       | DEC 2016 3MT ULTRA TBOND           | DURATION HEDGE                                                          | SCH D1                      | Interest Rate          | 12/30/2016                     | ONE      | 09/22/2016 | 183,7850          | 183,8750             |            | 287,212,750                  |                             |                           |                                                                            | 140,531                                          | 140,531                                                           | 7,185,200          | 0001                                                |                        |
| 1289999. Subtotal - Long Futures - Hedging Other        |                     |                 |                                    |                                                                         |                             |                        |                                |          |            |                   |                      |            |                              |                             |                           |                                                                            |                                                  |                                                                   |                    |                                                     |                        |
| FVZ6                                                    | 1,687               | 1,687,000       | DEC 2016 3MT 5-YR TNOTE            | FUNDING AGREEMENT HEDGE                                                 | SCH D1                      | Interest Rate          | 12/30/2016                     | ONE      | 08/29/2016 | 121,0771          | 121,5156             |            | 1,591,474,169                | 3,439,520                   |                           | 3,439,520                                                                  | (485,106)                                        | (485,106)                                                         | 25,990,600         | XXX                                                 | XXX                    |
| 1329999. Subtotal - Long Futures                        |                     |                 |                                    |                                                                         |                             |                        |                                |          |            |                   |                      |            |                              |                             |                           |                                                                            |                                                  |                                                                   |                    |                                                     |                        |
| FVZ6                                                    | 1,687               | 1,687,000       | DEC 2016 3MT 5-YR TNOTE            | FUNDING AGREEMENT HEDGE                                                 | SCH D1                      | Interest Rate          | 12/30/2016                     | ONE      | 08/29/2016 | 121,0771          | 121,5156             |            | 204,996,688                  | (739,698)                   |                           | (739,698)                                                                  |                                                  |                                                                   | 1,349,600          | 0001                                                |                        |
| 1339999. Subtotal - Short Futures - Hedging Effective   |                     |                 |                                    |                                                                         |                             |                        |                                |          |            |                   |                      |            |                              |                             |                           |                                                                            |                                                  |                                                                   |                    |                                                     |                        |
| ESZ6                                                    | 5                   | 250             | DEC S & P 5-MINI FUTURES           | EQUITIES HEDGE                                                          | SCH D2-2                    | Equity/1 Index         | 12/16/2016                     | ONE      | 09/30/2016 | 2,116,0000        | 2,160,4000           |            | 540,100                      |                             |                           |                                                                            | (11,100)                                         | (11,100)                                                          | 22,500             | 0002                                                |                        |
| FVZ6                                                    | 1,644               | 1,644,000       | DEC 2016 5 YR T NOTES              | DURATION HEDGE                                                          | SCH D1                      | Interest Rate          | 12/30/2016                     | ONE      | 08/29/2016 | 120,9318          | 121,5156             |            | 199,771,686                  |                             |                           |                                                                            | (959,672)                                        | (959,672)                                                         | 1,315,200          | 0001                                                |                        |
| TUZ6                                                    | 543                 | 1,086,000       | DEC 2016 2 YR T NOTES              | DURATION HEDGE                                                          | SCH D1                      | Interest Rate          | 12/30/2016                     | ONE      | 09/22/2016 | 109,1562          | 109,2343             |            | 118,628,531                  |                             |                           |                                                                            | (84,844)                                         | (84,844)                                                          | 286,650            | 0001                                                |                        |
| TVZ6                                                    | 6,588               | 6,588,000       | DEC 2016 10-YR TNOTE               | DURATION HEDGE                                                          | SCH D1                      | Interest Rate          | 12/30/2016                     | ONE      | 08/29/2016 | 130,6218          | 131,1250             |            | 863,851,500                  |                             |                           |                                                                            | (3,314,451)                                      | (3,314,451)                                                       | 9,893,800          | 0001                                                |                        |
| WVZ6                                                    | 261                 | 261,000         | DEC 2016 3MT ULTRA TBOND           | DURATION HEDGE                                                          | SCH D1                      | Interest Rate          | 12/30/2016                     | ONE      | 08/29/2016 | 185,0474          | 183,8750             |            | 47,991,375                   |                             |                           |                                                                            | 306,000                                          | 306,000                                                           | 1,200,600          | 0001                                                |                        |
| 1349999. Subtotal - Short Futures - Hedging Other       |                     |                 |                                    |                                                                         |                             |                        |                                |          |            |                   |                      |            |                              |                             |                           |                                                                            |                                                  |                                                                   |                    |                                                     |                        |
| 1389999. Subtotal - Short Futures                       |                     |                 |                                    |                                                                         |                             |                        |                                |          |            |                   |                      |            | 1,230,763,202                |                             |                           |                                                                            | (4,064,067)                                      | (4,064,067)                                                       | 11,730,750         | XXX                                                 | XXX                    |
| 1399999. Subtotal - Hedging Effective                   |                     |                 |                                    |                                                                         |                             |                        |                                |          |            |                   |                      |            | 1,435,780,070                | (739,698)                   |                           | (739,698)                                                                  |                                                  |                                                                   | 13,080,350         | XXX                                                 | XXX                    |
| 1409999. Subtotal - Hedging Other                       |                     |                 |                                    |                                                                         |                             |                        |                                |          |            |                   |                      |            | 204,996,688                  | 2,699,822                   |                           | 2,699,822                                                                  |                                                  |                                                                   | 8,735,700          | XXX                                                 | XXX                    |
| 1419999. Subtotal - Replication                         |                     |                 |                                    |                                                                         |                             |                        |                                |          |            |                   |                      |            | 2,822,257,371                |                             |                           |                                                                            |                                                  |                                                                   | 37,721,350         | XXX                                                 | XXX                    |
| 1429999. Subtotal - Income Generation                   |                     |                 |                                    |                                                                         |                             |                        |                                |          |            |                   |                      |            |                              |                             |                           |                                                                            |                                                  |                                                                   |                    | XXX                                                 | XXX                    |
| 1439999. Subtotal - Other                               |                     |                 |                                    |                                                                         |                             |                        |                                |          |            |                   |                      |            |                              |                             |                           |                                                                            |                                                  |                                                                   |                    | XXX                                                 | XXX                    |
| 1449999 - Totals                                        |                     |                 |                                    |                                                                         |                             |                        |                                |          |            |                   |                      |            | 3,027,254,238                | 2,699,822                   |                           | 2,699,822                                                                  | (4,549,173)                                      | (4,549,173)                                                       | 46,457,050         | XXX                                                 | XXX                    |

| Broker Name             |  |  | Beginning Cash Balance | Cumulative Cash Change | Ending Cash Balance |
|-------------------------|--|--|------------------------|------------------------|---------------------|
|                         |  |  | 7,837,572              | 11,910,731             | 19,748,304          |
| Total Net Cash Deposits |  |  | 7,837,572              | 11,910,731             | 19,748,304          |







SCHEDULE DL - PART 1  
SECURITIES LENDING COLLATERAL ASSETS

| Reinvested Collateral Assets Owned Current Statement Date          |             |      |                                       |            |                              |               |
|--------------------------------------------------------------------|-------------|------|---------------------------------------|------------|------------------------------|---------------|
| 1                                                                  | 2           | 3    | 4                                     | 5          | 6                            | 7             |
| CUSIP Identification                                               | Description | Code | NAIC Designation/<br>Market Indicator | Fair Value | Book/Adjusted Carrying Value | Maturity Date |
| 0599999. Total - U.S. Government Bonds                             |             |      |                                       |            |                              | XXX           |
| 1099999. Total - All Other Government Bonds                        |             |      |                                       |            |                              | XXX           |
| 1799999. Total - U.S. States, Territories and Possessions Bonds    |             |      |                                       |            |                              | XXX           |
| 2499999. Total - U.S. Political Subdivisions Bonds                 |             |      |                                       |            |                              | XXX           |
| 3199999. Total - U.S. Special Revenues Bonds                       |             |      |                                       |            |                              | XXX           |
| 3899999. Total - Industrial and Miscellaneous (Unaffiliated) Bonds |             |      |                                       |            |                              | XXX           |
| 4899999. Total - Hybrid Securities                                 |             |      |                                       |            |                              | XXX           |
| 5599999. Total - Parent, Subsidiaries and Affiliates Bonds         |             |      |                                       |            |                              | XXX           |
| 6199999. Total - Issuer Obligations                                |             |      |                                       |            |                              | XXX           |
| 6299999. Total - Residential Mortgage-Backed Securities            |             |      |                                       |            |                              | XXX           |
| 6399999. Total - Commercial Mortgage-Backed Securities             |             |      |                                       |            |                              | XXX           |
| 6499999. Total - Other Loan-Backed and Structured Securities       |             |      |                                       |            |                              | XXX           |
| 6599999. Total Bonds                                               |             |      |                                       |            |                              | XXX           |
| 7099999. Total - Preferred Stocks                                  |             |      |                                       |            |                              | XXX           |
| 7599999. Total - Common Stocks                                     |             |      |                                       |            |                              | XXX           |
| 7699999. Total - Preferred and Common Stocks                       |             |      |                                       |            |                              | XXX           |
| 9999999 - Totals                                                   |             |      |                                       |            |                              | XXX           |

General Interrogatories:

1. Total activity for the year to date
- Fair Value \$ ..... Book/Adjusted Carrying Value \$ .....
2. Average balance for the year to date
- Fair Value \$ ..... Book/Adjusted Carrying Value \$ .....
3. Reinvested securities lending collateral assets book/adjusted carrying value included in this schedule by NAIC designation:
- NAIC 1 \$ ..... NAIC 2 \$ ..... NAIC 3 \$ ..... NAIC 4 \$ ..... NAIC 5 \$ ..... NAIC 6 \$ .....

SCHEDULE DL - PART 2  
SECURITIES LENDING COLLATERAL ASSETS

| Reinvested Collateral Assets Owned Current Statement Date          |             |      |                                       |            |                              |               |
|--------------------------------------------------------------------|-------------|------|---------------------------------------|------------|------------------------------|---------------|
| 1                                                                  | 2           | 3    | 4                                     | 5          | 6                            | 7             |
| CUSIP Identification                                               | Description | Code | NAIC Designation/<br>Market Indicator | Fair Value | Book/Adjusted Carrying Value | Maturity Date |
| 0599999. Total - U.S. Government Bonds                             |             |      |                                       |            |                              | XXX           |
| 1099999. Total - All Other Government Bonds                        |             |      |                                       |            |                              | XXX           |
| 1799999. Total - U.S. States, Territories and Possessions Bonds    |             |      |                                       |            |                              | XXX           |
| 2499999. Total - U.S. Political Subdivisions Bonds                 |             |      |                                       |            |                              | XXX           |
| 3199999. Total - U.S. Special Revenues Bonds                       |             |      |                                       |            |                              | XXX           |
| 3899999. Total - Industrial and Miscellaneous (Unaffiliated) Bonds |             |      |                                       |            |                              | XXX           |
| 4899999. Total - Hybrid Securities                                 |             |      |                                       |            |                              | XXX           |
| 5599999. Total - Parent, Subsidiaries and Affiliates Bonds         |             |      |                                       |            |                              | XXX           |
| 6199999. Total - Issuer Obligations                                |             |      |                                       |            |                              | XXX           |
| 6299999. Total - Residential Mortgage-Backed Securities            |             |      |                                       |            |                              | XXX           |
| 6399999. Total - Commercial Mortgage-Backed Securities             |             |      |                                       |            |                              | XXX           |
| 6499999. Total - Other Loan-Backed and Structured Securities       |             |      |                                       |            |                              | XXX           |
| 6599999. Total Bonds                                               |             |      |                                       |            |                              | XXX           |
| 7099999. Total - Preferred Stocks                                  |             |      |                                       |            |                              | XXX           |
| 7599999. Total - Common Stocks                                     |             |      |                                       |            |                              | XXX           |
| 7699999. Total - Preferred and Common Stocks                       |             |      |                                       |            |                              | XXX           |
| 9999999 - Totals                                                   |             |      |                                       |            |                              | XXX           |

General Interrogatories:

1. Total activity for the year to date

Fair Value \$ .....

Book/Adjusted Carrying Value \$ .....
2. Average balance for the year to date

Fair Value \$ .....

Book/Adjusted Carrying Value \$ .....



SCHEDULE E - PART 1 - CASH

Month End Depository Balances

| 1                                                                                                                                              | 2    | 3                | 4                                                  | 5                                                    | Book Balance at End of Each Month<br>During Current Quarter |               |               | 9   |
|------------------------------------------------------------------------------------------------------------------------------------------------|------|------------------|----------------------------------------------------|------------------------------------------------------|-------------------------------------------------------------|---------------|---------------|-----|
|                                                                                                                                                |      |                  |                                                    |                                                      | 6                                                           | 7             | 8             |     |
|                                                                                                                                                |      |                  |                                                    |                                                      | First Month                                                 | Second Month  | Third Month   |     |
| Depository                                                                                                                                     | Code | Rate of Interest | Amount of Interest Received During Current Quarter | Amount of Interest Accrued at Current Statement Date |                                                             |               |               | *   |
| JP Morgan Chase ..... New York, NY .....                                                                                                       |      | .0.180           | 25,294                                             |                                                      | (55,847,459)                                                | 47,233,893    | 109,410,574   | XXX |
| Bank of America ..... New York, NY .....                                                                                                       |      |                  |                                                    |                                                      | (105,444,214)                                               | (101,711,110) | (102,357,227) | XXX |
| State Street Bank ..... Boston, MA .....                                                                                                       |      |                  |                                                    |                                                      | (32,621)                                                    | (2,283)       | (47,155)      | XXX |
| PNC ..... Pittsburgh, PA .....                                                                                                                 |      |                  |                                                    |                                                      | 65,693,558                                                  | 84,526,355    | 68,362,599    | XXX |
| 0199998. Deposits in ... depositories that do not exceed the allowable limit in any one depository (See instructions) - Open Depositories      | XXX  | XXX              |                                                    |                                                      |                                                             |               |               | XXX |
| 0199999. Totals - Open Depositories                                                                                                            | XXX  | XXX              | 25,294                                             |                                                      | (95,630,735)                                                | 30,046,854    | 75,368,791    | XXX |
| 0299998. Deposits in ... depositories that do not exceed the allowable limit in any one depository (See instructions) - Suspended Depositories | XXX  | XXX              |                                                    |                                                      |                                                             |               |               | XXX |
| 0299999. Totals - Suspended Depositories                                                                                                       | XXX  | XXX              |                                                    |                                                      |                                                             |               |               | XXX |
| 0399999. Total Cash on Deposit                                                                                                                 | XXX  | XXX              | 25,294                                             |                                                      | (95,630,735)                                                | 30,046,854    | 75,368,791    | XXX |
| 0499999. Cash in Company's Office                                                                                                              | XXX  | XXX              | XXX                                                | XXX                                                  |                                                             |               |               | XXX |
| .....                                                                                                                                          |      |                  |                                                    |                                                      |                                                             |               |               |     |
| .....                                                                                                                                          |      |                  |                                                    |                                                      |                                                             |               |               |     |
| .....                                                                                                                                          |      |                  |                                                    |                                                      |                                                             |               |               |     |
| .....                                                                                                                                          |      |                  |                                                    |                                                      |                                                             |               |               |     |
| .....                                                                                                                                          |      |                  |                                                    |                                                      |                                                             |               |               |     |
| .....                                                                                                                                          |      |                  |                                                    |                                                      |                                                             |               |               |     |
| .....                                                                                                                                          |      |                  |                                                    |                                                      |                                                             |               |               |     |
| .....                                                                                                                                          |      |                  |                                                    |                                                      |                                                             |               |               |     |
| 0599999. Total - Cash                                                                                                                          | XXX  | XXX              | 25,294                                             |                                                      | (95,630,735)                                                | 30,046,854    | 75,368,791    | XXX |

