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SECURITIES AND EXCHANGE COMMISSION
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**ANNUAL AUDITED REPORT
FORM X-17a-5
PART III**

FEB 28 2006

BRANCH OF REGISTRATIONS

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

SEC FILE NUMBER
8- 65653

SECURITIES AND EXCHANGE COMMISSION

RECEIVED

FEB 28 2006

BRANCH OF REGISTRATIONS

12/31/2005

REPORT FOR THE PERIOD BEGINNING 1/1/2005 AND ENDING

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER

JACKSON FINANCIAL GROUP, INC.

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPLE PLACE OF BUSINESS: (Do not use P.O. Box No.)

440 S. LaSalle Street, Suite #3450
(No. and Street)

CHICAGO
(City)

IL
(State)

60605
(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

James Tharin
(Name)

312-260-5880
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

DiMaggio, Veraja & Company, LLC
(Name - if individual state last, first, middle names)

567 James Court
(Street)

Glendale Heights
(City)

IL
(State)

60139
(Zip Code)

CHECK ONE

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions

PROCESSED

APR 26 2006

THOMSON
FINANCIAL

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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

[Handwritten signature]

TO BE COMPLETED WITH THE ANNUAL AUDIT REPORT ONLY:

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report

NAME (if individual, state last, first, middle name)

DIMAGGIO, VERAJA & COMPANY, LLC

70

ADDRESS

567 James Court

71

Glendale Heights

72

IL

73

60139

74

Number and Street

City

State

Zip Code

CHECK ONE

Certified Public Accountant

75

Public Accountant

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Accountant not resident in United States
or any of its possessions

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WORK LOCATION	REPORT DATE	DOC. SEQ. NO.	CARD				
50	51	52	53				

SEC 1696 2 of 16

The accompanying notes are an integral
part of these financial statements.

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND CERTAIN OTHER BROKERS OR DEALERS

		as of (MM/DD/YY)		12/31/05		99	
		SEC FILE NO.		8-65653		98	
		Consolidated				198	
		Unconsolidated		X		199	
		ASSETS					
		Allowable		Non-Allowable			
1.	Cash	\$	200			\$	750
2.	Receivables from brokers or dealers:						
	A. Clearance account		4,477,192	295			
	B. Other			300	- 550	4,477,192	810
3.	Receivables from non-customers		29,183	355	- 600	29,183	830
4.	Securities and spot commodities owned, at market value:						
	A. Exempted securities			418			
	Debt securities			419			
	Options		1,020,549	420			
	Other securities		503,252	424			
	Spot commodities		-	430		1,523,801	850
5.	Securities and/or other investments						
	A. At cost \$		130				
	B. At estimated fair value			440	610		860
6.	Securities borrowed under subordination agreements and partners' individual and capital securities accounts, at market value:						
	A. Exempted securities \$		150				
	B. Other securities \$		160				
7.	Secured demand notes market value of collateral:			470	640		890
	A. Exempted securities \$		170				
	B. Other securities \$		180				
8.	Memberships in exchanges:						
	A. Owned, at market \$		190				
	B. Owned, at cost				365,000	650	
	C. Contributed for use of the company, at market value				660	365,000	900
9.	Investment in and receivables from affiliates, subsidiaries and associated partnerships			480	670		910
10.	Property, furniture, equipment, leasehold improvements and rights under lease agreements, at cost-net of accumulated depreciation and amortization			490	2,737	680	2,737
11.	Other assets			535	1,331,078	735	1,331,078
12.	TOTAL ASSETS		6,030,176	540	1,748,815	740	7,778,990
							940

The accompanying notes are an integral part of these financial statements

BROKER OR DEALER

JACKSON FINANCIAL GROUP, INC.

as of

12/31/05

STATEMENT OF FINANCIAL CONDITION FOR NONCARRYING, NONCLEARING AND
CERTAIN OTHER BROKERS OR DEALERSLIABILITIES AND OWNERSHIP EQUITY

<u>Liabilities</u>	<u>A.I. Liabilities</u>	<u>Non-A.I. Liabilities</u>	<u>Total</u>
13. Bank loans payable	\$ 1045	\$ 1255	\$ 1470
14. Payable to brokers or dealers:			
A. Clearance account	1114	1315	1560
B. Other	- 1115	1305	- 1540
15. Payable to non-customers	1155	1355	- 1610
16. Securities sold not yet purchased, at market value		3,406,309 1360	3,406,309 1620
17. Accounts payable, accrued liabilities, expenses and other	- 1205	20,269 1385	20,269 1685
18. Notes and mortgages payable:			
A. Unsecured	1210		1690
B. Secured	1211	1390	1700
19. Liabilities subordinated to claims of general creditors:			
A. Cash borrowings:		1400	1710
1. from outsiders \$	970		
2. Includes equity subordination (15c3-1(d)) of	980		
B. Securities borrowings, at market value: from outsiders \$	990	1410	1720
C. Pursuant to secured demand note collateral agreements:		1420	1730
1. from outsiders \$	1000		
2. -Includes equity subordination (15c3-a(d)) of	1010		
D. Exchange memberships contributed for use of company, at market value		1430	1740
E. Accounts and other borrowings not qualified for net capital purposes	-1220	1440	1750
20. TOTAL LIABILITIES	\$ - 1230	\$ 3,426,578 1450	\$ 3,426,578 1760
<u>Ownership Equity</u>			
21. Sole proprietorship			\$ 1770
22. Partnership (limited partners)	\$ 1020		1780
23. Corporation:			
A. Preferred stock			1791
B. Common stock			1,055,000 1792
C. Additional paid-in capital			3,151,836 1793
D. Retained earnings			145,576 1794
E. Total			4,352,412 1795
F. Less capital stock in treasury			1796
24. TOTAL OWNERSHIP EQUITY			4,352,412 1800
25. TOTAL LIABILITIES AND OWNERSHIP EQUITY			\$ 7,778,990 1810

The accompanying notes are an integral part
of these financial statements

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER JACKSON FINANCIAL GROUP, INC.

For the period (MMDDYY) 01/01/05 3932 to 12/31/05 3933
 Number of months included in this statement 12 3931

STATEMENT OF INCOME (LOSS)

REVENUE

1. Commissions:		
a. Commissions on transactions in exchange listed equity securities executed on an e:		3935
b. Commissions on listed option transactions		3938
c. All other securities commissions		3939
d. Total securities commissions		3940
2. Gains or losses on firm securities trading accounts		
a. From market making in options on a national securities exchange	71,179	3945
b. From all other trading	20,440	3949
c. Total gain (loss)	91,619	3950
3. Gains or losses on firm securities investment accounts		3952
4. Profit (loss) from underwriting and selling groups		3955
5. Revenue from sale of Investment company shares		3970
6. Commodities revenue	187,402	3990
7. Fees for account supervision, investment company shares		3975
8. Other revenue	228,003	3995
9. Total revenue	\$ 507,024	4030

EXPENSES

10. Salaries and other employment costs for general partners and voting stockholder offi:	-	4120
11. Other employee compensation and benefits	-	4115
12. Commissions paid to other broker-dealers	57,077	4140
13. Interest expense	41,520	4075
a. Includes interest on accounts subject to subordinal	4070	
14. Regulatory fees and expenses	71,616	4195
15. Other expenses	177,281	4100
16. Total expenses	\$ 347,493	4200

NET INCOME

17. Net income (loss) before Federal Income taxes and items below (item 9 less item 16):	159,531	4210
18. Provision for Federal Income taxes (for parent only)		4220
19. Equity in earnings (losses) of unconsolidated subsidiaries not included above		4222
a. After Federal income taxes of	4238	
20. Extraordinary gains (losses)		4224
a. After Federal income taxes of	4239	
21. Cumulative effect of changes in accounting principles		4225
22. Net income (loss) after Federal income taxes and extraordinary items	\$ 159,531	4230

MONTHLY INCOME

23. Income (current month only) before provision for Federal income taxes and extraordi:		4211
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The accompanying notes are an integral part
of these financial statements

**FINANCIAL AND OPERATIONAL COMBINED UNIFORM SINGLE REPORT
PART IIA**

BROKER OR DEALER **JACKSON FINANCIAL GROUP, INC.**

For the period (MMDDYY) 01/01/05 to 12/31/05

**STATEMENT OF CHANGES IN OWNERSHIP EQUITY
(SOLE PROPRIETORSHIP, PARTNERSHIP OR CORPORATION))**

1. Balance, beginning of period		\$	4,192,752	4240	
A. Net income (loss)			159,531	4250	
B. Additions (Includes non-conforming capital of	\$	4262)	129	4260
C. Deductions (Includes non-conforming capital of		4272)		4270
2. Balance, end of period (From item 1800)		\$	4,352,412	4290	

**STATEMENT OF CHANGES IN LIABILITIES SUBORDINATED
TO CLAIMS OF GENERAL CREDITORS**

3. Balance, beginning of period		\$		4300
A. Increases				4310
B. Decreases				4320
4. Balance, end of period (From item 3520)		\$		4330

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2004

CASH PROVIDED BY OPERATING ACTIVITIES

Net Income	\$ 159,531
Adjustments to reconcile net income to net cash provided by operating activities	
(Increase)/decrease in assets	
Depreciation	3,629
Receivable from brokers or dealers-clearance	(2,082,176)
Receivables from brokers or dealers-other	169,493
Receivables from noncustomers	(29,183)
Securites and spot commodities owned at market value:	
Options	(1,020,549)
Other Securities	(503,252)
Memberships in exchanges owned at cost	(365,000)
Other assets	(11,808)
Increase/(decrease) in liabilities	
Payable to brokers or dealers-clearance	(177,105)
Payable to brokers or dealers-other	(2,380)
Securities sold not yet purchased	3,171,409
Other payables	14,269
	<u>(673,121)</u>

CASH APPLIED TO FINANCING ACTIVITIES

Shareholder contributions	129
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NET DECREASE IN CASH (672,992)

CASH AT BEGINNING OF PERIOD 672,992

CASH AT END OF PERIOD \$ (0)

Interest expense \$ 41,520

The accompanying notes are an integral part of these financial statements

JACKSON FINANCIAL GROUP, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

Jackson Financial Group, Inc. ("The Company"), is an Illinois Corporation, formed on September 19, 2002 and commenced operations on January 1, 2003. The Company is a broker-dealer registered with the Securities and Exchange Commission and is a member of the Chicago Board of Options Exchange and operates under a joint back office arrangement with Merrill Lynch Professional Clearing Corporation ("MLPCC"). As such, it does not effect transactions other than with brokers or dealers, effect transactions in unlisted options, or carry customer accounts. The Company primarily engages in the proprietary trading of exchange-traded equity securities, equity options, and index options.

Basis of Accounting

The Company's financial statements are prepared on the accrual basis of accounting, which conforms to U.S. generally accepted accounting principles. Substantially all of the Company's assets and liabilities are carried at fair market value.

Accounting Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Investment in Certificates

Certificates purchased for resale are stated at the lower of cost or market, with cost being determined by the average cost method.

Cash Equivalents

The Company considers all highly liquid financial instruments with a maturity date of 3 months or less to be cash equivalents. At December 31, 2005, the Company did not hold any financial instruments considered to be cash equivalents.

Concentration of Credit Risk

The Company maintains its cash in bank deposits, which, at times, may exceed federally insured limits of \$100,000. At December 31, 2005, the Company's cash in bank deposits did not exceed federally insured limits. The Company does not believe its cash balances are at substantial credit risk.

Securities Transactions and Revenue Recognition

Proprietary securities transactions in regular-way trades are recorded on the trade date, as if they had settled. Profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Commissions and related clearing expenses are recorded on a trade-date basis as securities transactions occur. The difference between trade date and settlement date accounting is not material to the Company's financial position at December 31, 2005, nor material to the results of its operations for the period then ended. All marketable securities are marked-to-market and carried at fair market value.

Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statement of financial condition.

Under SFAS 115, securities that are bought and held principally for the purpose of selling them in the near term (thus held only for a short time) are classified as trading securities. Trading generally reflects active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on the short-term differences in price. The Company classifies all securities as trading securities.

Property and Equipment

The cost of property and equipment is depreciated over the estimated useful lives of the related assets. Depreciation has been computed using both straight-line, and accelerated methods. The accelerated method has been used for tax reporting purposes. Depreciation computed under U.S. generally accepted accounting principles do not differ materially.

Total cost of property and equipment at December 31, 2005 was \$10,908 with the related accumulated depreciation totaling \$2,737.

Advertising Costs

The Company expenses advertising costs as incurred. Total advertising and promotional expense for the year ended December 31, 2005 was immaterial.

Accounts Receivable

The Company has not accrued an allowance for non-collectible receivables because all trade receivables at year-end are collected the following month. Management is of the opinion that all receivables are fully collectible.

NOTE 2 – TRADING ACTIVITIES

The Company trades in exchange traded equities, equity options and index options.

The fair value of derivatives represents options contracts at market value. The following table discloses the approximate fair market value of derivative financial instruments held for trading as of December 31, 2005, as well as the approximate average fair market values of derivatives held during 2005:

	<u>December 31, 2005</u>	<u>Average during 2005</u>
Equity & index options assets	\$ 1,020,549	\$ 384,560
Equity & index options liabilities	<u>(408,859)</u>	<u>(294,548)</u>
Total	<u>\$ 611,690</u>	<u>\$ 90,012</u>

NOTE 3 – FINANCIAL INSTRUMENTS

Securities owned, securities sold, not yet purchased, and other financial instruments used for trading purposes are recorded in the statement of financial condition at market value, with related unrealized profit or loss included in net trading gain in the statement of operations. As the Company operates as a broker-dealer, all financial instruments are stated at a value that approximates fair value.

Derivative financial instruments used for trading purposes, principally exchange-traded options, are carried at quoted market value.

Derivatives used for economic hedging purposes include purchased options. Unrealized gains or losses on these derivative contracts are recognized currently in the statement of income as trading revenues. The Company does not apply hedge accounting as defined in FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as all financial instruments are marked to market with changes in fair values reflected in earnings. Therefore, the disclosures required in paragraphs 44 and 45 of the Statement are generally not applicable with respect to these financial instruments.

Fair value of options contracts are recorded in securities owned or securities sold, not yet purchased, as appropriate. Premiums and unrealized gains and losses for written and purchased option contracts are recognized gross in the statement of financial condition.

NOTE 4 – FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISK

In the normal course of business, the Company engages in trading activities. In connection with these activities, unsettled trades and sales of securities not yet purchased may expose the Company to off-balance sheet credit risk as a result of market fluctuations. The Company enters into various transactions involving derivatives and other off-balance sheet financial instruments. These financial instruments include exchange-traded options, and securities purchased and sold on a when-issued basis (when-issued securities). These derivative financial instruments are used to conduct trading activities, and manage market risks and are, therefore, subject to varying degrees of market and credit risk. Derivative transactions are entered into for trading purposes or to economically hedge other positions or transactions.

When-issued securities provide for the delayed delivery of the underlying instrument. As a writer of options, the Company receives a premium in exchange for giving the counterpart the right to buy or sell the security at a future date at a contracted price. The contractual or notional amounts related to these financial instruments reflect the volume and activity and do not reflect the amounts at risk. The credit risk for options and when-issued securities is limited to the unrealized market valuation gains recorded in the statement of financial condition. Market risk is substantially dependent upon the value of the underlying financial instruments and is affected by market forces such as volatility and changes in interest and foreign exchange rates. Risk arises from the potential inability of counter-parties or exchanges to perform under the terms of the contracts (credit risk) and from changes in the values of securities, interest rates, currency exchange rates, or equity index values (market risk).

In addition, the Company has sold securities that it does not currently own and will therefore be obligated to purchase such securities at a future date. The Company has recorded these obligations in the financial statements at December 31, 2005, at market values of the related securities and will incur a loss if the market value of the securities increases subsequent to December 31, 2005.

The Company's trading activities are transacted on a cash basis. In connection with these activities, the Company executes transactions involving the sale of securities not yet purchased. Such transactions may expose the Company to significant off-balance-sheet risk in the event capital reserves are not sufficient to fully cover losses that may incur. The Company seeks to control the risks associated with its trading activities by monitoring trading markets daily.

It is the management's opinion that market risk is substantially diminished when all financial instruments, including stocks owned and sold, not yet purchased, are aggregated.

Concentrations of Credit Risk

The Company is engaged in various trading activities with counter parties, primarily broker-dealers. In the event counter parties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counter-party or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterpart.

At December 31, 2005, a significant credit concentration consisted of over \$2 million, representing the market value of the Company's trading accounts carried by its clearing broker. Management does not consider any credit risk associated with this receivable to be significant.

NOTE 5 – NET CAPITAL REQUIREMENTS

At December 31, 2005, the Company's net capital as computed pursuant to the rules of the Chicago Board of Options Exchange was \$2,598,576, which was \$2,498,576 more than the minimum net capital requirement of \$100,000.

NOTE 6 – INCOME TAXES

At April 4, 2005, the Internal Revenue Service granted the Company S-Corporation status for the accounting period beginning January 1, 2005; therefore, all current year and subsequent year income tax liabilities will pass through to the individual shareholder(s).

NOTE 7 – CLEARING AGREEMENT

The Company has a Joint Back Office (JBO) clearing agreement with Merrill Lynch Professional Clearing Corporation (“MLPCC”). The agreement allows JBO participants to receive favorable margin treatments compared to the full customer margin requirements of Regulation T. As part of this agreement, the Company has invested \$50,000 in the preferred shares of MLPCC. The Company’s investment in MLPCC is reflected as “Investment in and Receivables from” in the statement of financial condition. Under the rules of the Chicago Board Options Exchange, the agreement requires that the Company maintain a minimum net liquidating equity of \$1 million with Pax, exclusive of its preferred stock investment.

NOTE 8 – RELATED PARTY TRANSACTIONS

Receivables from non-customers consist of amounts forwarded to the sole shareholder as follows:

Receivables from shareholder	\$ 48,000
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These receivables do not carry interest and none has been accrued because they are considered short term and liquidated frequently.

NOTE 9 – OPERATING LEASES

The Company has a license agreement under which it occupies certain office space. Total rent expense paid under this agreement during 2005 was \$43,000.

The agreement provides for termination upon sixty days notice by either party. The future minimum payments under this agreement for the year ending December 31, 2005 are \$7,167.

NOTE 10 – COMMON STOCK

During 2005, the Company voted to redeem and retire 1,000 shares of common stock, and issue 1,000 shares of no-par stock. Total common stock of the company as of December 31, 2005 is as follows:

Authorized and issued	2,000
Retired	1,000
Issued and outstanding	1,000

NOTE 11 – MEMBERSHIP SEAT

The Company purchased a membership seat on the Chicago Board of Options Exchange (Exchange) on March 3, 2005 for \$365,000.

NOTE 12 – OTHER INCOME

The detail for other income is as follows:

Seat Lease	\$ 5,323
Unrealized Profit (Loss)	123,848
Dividends	6,718
Interest	92,395
Miscellaneous	16
Exchange Rate Gain/(Loss)	(302)
Rebate Income	5
Total	<u>\$ 228,003</u>

NOTE 13 – OTHER EXPENSES

The detail for other expenses is as follows:

Accounting Fees	\$ 19,288
Advertising	(99)
Advisor Fee	1,369
Bank Fees	464
Brokerage Expense	911
Certificate Expense	262
Clerk Expense	41,606
Consulting Expense	1,570
Depreciation	3,629
Dividend Expense	9,881
Legal Fees	2,224
Market Information	1,524
Miscellaneous Expenses	(1,262)
Office Supplies	900
Payroll Processing Fee	50
Postage and Shipping	69
Rent	43,000
Seat Lease	39,219
SIPC/Focus Fees	150
Software	370
Subscriptions	7,048
Taxes	4,442
Telephone	<u>666</u>
Total	<u>\$ 177,282</u>

NOTE 14 – OTHER ASSETS

The detail for other assets is as follows:

Investment in certificates	\$ 1,271,270
Petty cash	\$ 11,808
Receivable from shareholder	<u>\$ 48,000</u>
Total	<u>\$ 1,331,078</u>

BROKER OR DEALER **JACKSON FINANCIAL GROUP, INC.**

as of 12/31/05

COMPUTATION OF NET CAPITAL

1. Total ownership equity from Statement of Financial Condition	\$	4,352,412	3480
2. Deduct ownership equity not allowable for Net Capital			3490
3. Total ownership equity qualified for Net Capital		4,352,412	3500
4. Add:			
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital			3520
B. Other (deductions) or allowable credits (List)			3525
5. Total capital and allowable subordinated liabilities	\$	4,352,412	3530
6. Deductions and/or charges:			
A. Total nonallowable assets from Statement of Financial Condition (Notes B & C)	1,748,815		3540
B. Secured demand note deficiency			3590
C. Commodity futures contracts & proprietary capital charges			3600
D. Other deductions and/or charges			3610
		(1,748,815)	3620
7. Other additions and/or allowable credits (List)			3630
8. Net capital before haircuts on securities positions		2,603,597	3640
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1 (f)):			
A. Contractual securities commitments			3660
B. Subordinated securities borrowings			3670
C. Trading and investment securities:			
1. Exempted securities			3735
2. Debt securities			3733
3. Options			3730
4. Other securities	5,021		3734
D. Undue Concentration		-	3650
E. Other (List) Loss To Convert			3736
		(5,021)	3740
10. Net Capital	\$	2,598,576	3750

NON-ALLOWABLE ASSETS - LINE 9
 INVESTMENT IN JBO STOCK 50,000

NON-ALLOWABLE ASSETS - LINE 11
 RECEIVABLE FROM SHAREHOLDER 48,000
 CERTIFICATES AND REMIT STATEMENTS 1,271,270
 PETTY CASH 11,808
 1,331,078

Reconciliation between the audited computation of net capital and that per the Company's unaudited FOCUS report, as filed.

Net Capital Per Company's Unaudited FOCUS Report, as filed		2,598,576
Audit adjustment to correct cash account-2004		(340)
Add: Reclassify negative cash		<u>340</u>
Net capital Per Audited Financial Statements		<u>2,598,576</u>

BROKER OR DEALER **JACKSON FINANCIAL GROUP, INC.**as of 12/31/05**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT****PART A**

11. Minimum net capital required (6-2/3% of line 19)	\$	0	3756
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	100,000	3758
13. Net capital requirement (greater of line 11 or 12)	\$	100,000	3760
14. Excess net capital (line 10 less 13)	\$	2,498,576	3770
15. Excess net at 1000% (line 10 less 10% of line 19)	\$	2,598,576	3780

COMPUTATION OF AGGREGATE INDEBTEDNESS

16. Total A.I. liabilities from Statement of Financial Condition	\$	-	3790
17. Add:			
A. Drafts for immediate credit	\$	3800	
B. market value of securities borrowed for which no equivalent value is paid or credited		3810	
C. Other unrecorded amounts(List)		3820	
19. Total aggregate indebtedness	\$	-	3840
20. Percentage of aggregate indebtedness to net capital (line 19/ line 10)	%	-	3850
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1 (d)	%	-	3860

COMPUTATION OF ALTERNATE NET CAPITAL REQUIREMENT**PART B**

22. 2% of combined aggregate debit items as shown in Formula for Reserve Requirements pursuant to Rule 15c3-3 prepared as of the date of the net capital computation including both brokers or dealers and consolidated subsidiaries' debits	\$	68,532	3870
23. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	\$	100,000	3880
24. Net capital requirement (greater of line 22 or 23)	\$	100,000	3760
25. Excess net capital (line 100 less 24)	\$	2,498,576	3910
26. Net capital in excess of the greater of:			
A. 5% OF COMBINED AGGREGATE DEBIT ITEMS OR \$120,000	\$	-	3920

NOTES:

- (A) The minimum net capital requirement should be computed by adding the minimum dollar net capital requirement of the reporting broker dealer and, for each subsidiary to be consolidated, the greater of:
1. Minimum dollar net capital requirement, or
 2. 6-2/3% of aggregate indebtedness or 4% of aggregate debits if alternative method is used.
- (B) Do not deduct the value of securities borrowed under subordination agreements or secured demand note covered by subordination agreements not in satisfactory form and the market values of memberships in exchanges contributed for use of company (contra to item 17400) and partners' securities which were included in non-allowable assets.
- (C) For reports filed pursuant to paragraph (d) of Rule 17a-5, respondent should provide a list of material non-allowable assets.

JACKSON FINANCIAL GROUP, INC.
COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS
PERSUANT TO RULE 15c-3
as of December 31, 2005

The company did not handle any customer cash or securities during the year ended December 31, 2005, and does not have any customer accounts.

JACKSON FINANCIAL GROUP, INC.
COMPUTATION FOR DETERMINATION OF PAIB RESERVE REQUIREMENTS
PERSUANT TO RULE 15c-3
as of December 31, 2005

The Company did not handle any proprietary accounts of introducing brokers during the year ended December 31, 2005 and does not have any PAIB accounts.

JACKSON FINANCIAL GROUP, INC.
INFORMATION RELATING TO THE POSSESSION OR CONTROL
REQUIREMENTS UNDER RULE 15c3-3
as of December 31, 2005

The Company did not handle any customer cash or securities during the year ended December 31, 2005 and does not have any customer accounts.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL
REQUIRED BY THE SECURITIES AND EXCHANGE COMMISSION RULE 17a-5**

To the Board of Directors
Jackson Financial Group, Inc.

In planning and performing our audit of the financial statements of Jackson Financial Group, Inc. for the year ended December 31, 2005, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We also made a study of the practices and procedures followed by the Company in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a) (11) and the procedures for determining compliance with the exemptive provisions of rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13 or in complying with the requirements for prompt payment for securities under section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer activities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with U.S. generally accepted accounting principles.

Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2005, to meet the Commission's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the Chicago Board Options Exchange, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities and Exchange Act of 1934 and should not be used for any other purpose.

Di Maggio, Veraja & Company, LLC

Glendale Heights, Illinois

February 25, 2006

**JACKSON FINANCIAL GROUP, INC.
ANNUAL AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
FOR THE YEAR ENDED
DECEMBER 31, 2005**

DIMAGGIO, VERAJA & COMPANY, LLC
Certified Public Accountants & Business Consultants

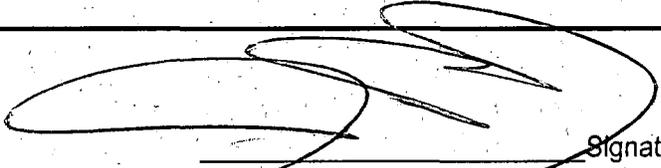
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OATH OR AFFIRMATION

I, James C. Tharin, Jr., swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Jackson Financial Group, Inc., as of December 31, 2005, are true and correct. I further swear (or affirm) that neither the company, nor any member, partner, proprietor, principal, officer nor director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Signature

C.E.O.

Title

2-27-06

Date

Subscribed and sworn to before me this

27th day of February, 2005

Kimberly Hinshaw
Notary Public



This report** contains (check all applicable boxes)

- (a) Facing Page
- (b) Statement of Financial Condition
- (c) Statement of Income (Loss)
- (d) Statement of Cash Flows
- (e) Statement of Changes on Stockholder's Equity or Partners' or Sole Proprietor's Capital
- (f) Statement of Changes in Liabilities Subordinated to claims of General Creditors
- (g) Computation of Net Capital for Brokers and Dealers pursuant to Rule 15c3-1
- (h) Computation for determination of Reserve Requirements Pursuant to Rule 15c3-3
- (i) Information Relating to the Possession or Control Requirements for Brokers and Dealers Under Rule 15c3-3
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation
- (l) An Oath or Affirmation
- (m) A copy of the SIPC Supplemental Report
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit
- (o) Independent Auditors' Report on Internal Accounting Control
- (p) Schedule of Segregation Requirements and Funds in Segregation-Customers' Regulated Commodity Futures Accounts Pursuant to CFTC Rule 1.10(d)2(iv)

DIMAGGIO, VERAJA & COMPANY, LLC

Certified Public Accountants & Business Consultants

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Jackson Financial Group, Inc.

We have audited the accompanying statement of financial condition of Jackson Financial Group, Inc. as of December 31, 2005 and the related statements of income, changes in ownership equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of Jackson Financial Group, Inc. as of December 31, 2005, and the results of its operations and its cash flows for the year ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 14 through 19 is presented for the purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Di Maggio, Veraja, & Company, LLC
Glendale Heights, Illinois
February 25, 2006