

SECURITIES



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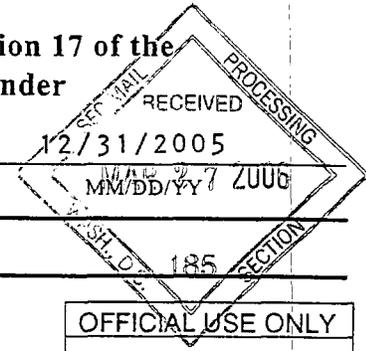
**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8- 65898

FACING PAGE

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

REPORT FOR THE PERIOD BEGINNING 1/01/2005 AND ENDING 12/31/2005
MM/DD/YY



A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: BLC Financial Services, Inc.

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

222 Merchandise Mart Plaza

(No. and Street)

Chicago

IL

60654

(City)

(State)

(Zip Code)

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

Audrey Kurzawa

(317) 817-2669

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

PricewaterhouseCoopers LLP

(Name - if individual, state last, first, middle name)

300 North Meridain, Suite 1700 Indianapolis, IN 46204

(Address)

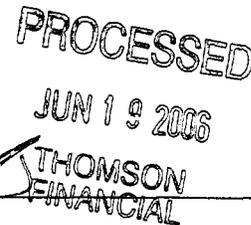
(City)

(State)

(Zip Code)

CHECK ONE:

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



FOR OFFICIAL USE ONLY

*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)

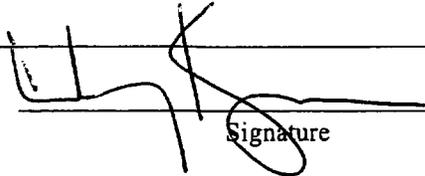
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Handwritten initials/signature

OATH OR AFFIRMATION

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

None


Signature

Vice President & Financial
Title Operations Principal


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 ~~Changes in Financial Condition.~~ *Cash Flows.*
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements 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.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

BLC Financial Services, Inc.
Financial Statements and Schedules
For the year ended December 31, 2005

BLC Financial Services, Inc.

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Report of Independent Auditors

To the Board of Directors of
BLC Financial Services, Inc.
(A wholly-owned subsidiary of Conseco, Inc.)

In our opinion, the accompanying balance sheet and the related statements of operations, changes in stockholder's equity and cash flows present fairly, in all material respects, the financial position of BLC Financial Services, Inc. (the "Company") at December 31, 2005, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America. 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 of these statements 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules 1, 2, and 3 are presented for purposes of additional analysis and are not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 issued under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basis financial statements taken as a whole.

The Company is a member of a group of affiliated companies and, as disclosed in the financial statements, has extensive transactions and relationships with its affiliates. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among unrelated parties.

PricewaterhouseCoopers LLP

March 23, 2006

BLC Financial Services, Inc.
Balance Sheet
December 31, 2005

Assets:	
Cash	\$ 81,567
Accounts receivable from affiliate	<u>140,100</u>
Total assets	<u>\$ 221,667</u>
Liabilities – Federal income taxes payable	<u>\$ 54,833</u>
Stockholder's equity:	
Common stock, par value of \$0.01 per share; 1,000 shares authorized; 100 shares issued and outstanding	1
Additional paid-in capital	58,532
Retained earnings	<u>108,301</u>
Total stockholder's equity	<u>166,834</u>
Total liabilities and stockholder's equity	<u>\$ 221,667</u>

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

BLC Financial Services, Inc.
Statement of Operations
for the year ended December 31, 2005

Revenues – Commissions	<u>\$ 222,709</u>
Expenses:	
Audit fees	21,000
Licenses and fees	4,846
Management fees	12,000
Other expenses	<u>484</u>
Total expenses	<u>38,330</u>
Net income before income taxes	184,379
Income tax expense	<u>54,833</u>
Net income	<u>\$ 129,546</u>

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

BLC Financial Services, Inc.
Statement of Changes in Stockholder's Equity
for the year ended December 31, 2005

Common stock:	
Balance, beginning and end of year	\$ <u>1</u>
Additional paid-in capital:	
Balance, beginning of year	\$ 38,532
Capital contribution	<u>20,000</u>
Balance, end of year	\$ <u>58,532</u>
Retained earnings (accumulated deficit):	
Balance, beginning of year	\$ (21,245)
Net income	<u>129,546</u>
Balance, end of year	\$ <u>108,301</u>
Total stockholder's equity	<u>\$ 166,834</u>

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

BLC Financial Services, Inc.
Statement of Cash Flows
for the year ended December 31, 2005

Cash flows from operating activities:	
Net income	\$ 129,546
Adjustments to reconcile net income to net cash provided by operating activities:	
Changes in accounts receivable/payable from affiliate	(183,940)
Changes in federal income taxes payable	<u>54,833</u>
Net cash provided by operating activities	<u>439</u>
Cash flows from financing activities:	
Capital contribution	<u>20,000</u>
Net cash provided by financing activities	<u>20,000</u>
Net increase in cash	20,439
Cash at beginning of year	<u>61,128</u>
Cash at end of year	<u>\$ 81,567</u>

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

BLC Financial Services, Inc.
Notes to Financial Statements

1. General:

BLC Financial Services, Inc. (the "Company") was incorporated on March 17, 2003 and is a wholly-owned subsidiary of Bankers Life and Casualty Company ("Bankers") which is an indirectly wholly-owned subsidiary of Consec, Inc. ("Consec"). Consec is a financial services holding company with subsidiaries operating throughout the United States.

Effective January 1, 2005, the Company and Bankers entered into a five year agreement with an unaffiliated broker-dealer which provides brokerage services related to debt and equity instruments, mutual funds, variable annuities, variable life and financial instruments. The unaffiliated broker dealer pays to Bankers revenue sharing payments calculated as a percentage of gross commissions generated from the sale of investment products. The amount of revenue sharing payments in excess of Bankers agent compensation expenses and expenses for the use of Bankers facilities and equipment are paid to the Company. The agreement will automatically renew for subsequent terms of one year, subject to termination after the initial five-year term. Pursuant to the agreement, the Company earned income of \$222,709 during 2005.

The Company is not subject to the special reserve or the possession or control requirements pursuant to Rule 15c3-3 of the Securities Exchange Act of 1934 (the "Act") under paragraph (k)(2)(i).

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates.

2. Net Capital Requirements:

Pursuant to the Securities and Exchange Commission net capital rule, Rule 15c3-1(a)(2)(vi), the Company is required to maintain minimum net capital, as defined, equal to the greater of \$5,000 or 6-2/3 percent of aggregate indebtedness, as defined. At December 31, 2005, net capital was \$26,734 or \$21,734 greater than the minimum requirement.

3. Transactions with Affiliate:

The Company is a member of a group of affiliated companies and has extensive transactions and relationships with its affiliates. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among unrelated parties.

The Company has no employees. All services have been provided under an agreement with Bankers. Expenses for such services are based on Bankers' direct and directly allocable costs. Expenses incurred under the agreement totaled \$12,000 in 2005.

During 2005, Bankers made a capital contribution of \$20,000 to the Company.

BLC Financial Services, Inc.

Notes to Financial Statements -- Continued

4. Income Taxes:

Pursuant to a tax sharing agreement with Consec, the Company is included in Consec's consolidated federal income tax return and Illinois income tax return. Under the agreement, the Company calculates its federal income taxes as if it were a separate filing company.

The components of income tax expense (benefit) were as follows:

	Year ended December 31, 2005
Current tax expense	\$ 54,833
Deferred tax expense	<u>9,699</u>
Income tax expense on period income	64,532
Valuation allowance	<u>(9,699)</u>
Total income tax expense	<u>\$ 54,833</u>

A reconciliation of the U.S. statutory Federal income tax expense to the Company's effective income tax expense was:

	Year ended December 31, 2005
Statutory Federal income tax expense	\$ 64,532
Valuation allowance	<u>(9,699)</u>
Effective income tax expense	<u>\$ 54,833</u>

The Company had no deferred tax assets or liabilities at December 31, 2005 and the current tax liability was \$54,833.

BLC Financial Services, Inc.

**Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
December 31, 2005**

Net capital:	
Total stockholder's equity from balance sheet	\$ 166,834
Less unsecured accounts receivable from affiliate	<u>140,100</u>
Net capital	<u>\$ 26,734</u>
Aggregate indebtedness	<u>\$ 54,833</u>
6-2/3% of aggregate indebtedness	<u>\$ 3,656</u>
Net capital and ratio of aggregate indebtedness to net capital:	
Net capital	\$ 26,734
Net capital requirement (greater of 6-2/3% of aggregate indebtedness or \$5,000)	<u>5,000</u>
Net capital in excess of required amount	<u>\$ 21,734</u>
Ratio of aggregate indebtedness to net capital	<u>2.05 to 1</u>
Net capital per the Company's unaudited part IIA of Focus Report	\$ 120,369
Adjustments:	
Increase in revenue	71,484
Increase income tax expense	(25,019)
Increase in non-allowable assets (unsecured accounts receivable from affiliate)	<u>(140,100)</u>
Net capital per the audited computation of net capital under rule 15c3-1	<u>\$ 26,734</u>
Aggregate indebtedness per the Company's unaudited Part IIA of Focus Report	\$ 29,814
Adjustment – Increase income tax expense	<u>25,019</u>
Aggregate indebtedness per the audited computation of aggregate indebtedness under Rule 15c3-1	<u>\$ 54,833</u>

BLC Financial Services, Inc.

**Computation for Determination of
Reserve Requirements Under
Rule 15c3-3 of the Securities and Exchange Commission
December 31, 2005**

The Company is exempt from compliance with Rule 15c3-3 of the Securities Exchange Act of 1934.

BLC Financial Services, Inc.

**Information Relating to Possession or
Control Requirements Under Rule 15c3-3
of the Securities and Exchange Commission
December 31, 2005**

The Company is exempt from compliance with Rule 15c3-3 of the Securities Exchange Act of 1934 under Paragraph k(2)(i).

**Report of Independent Auditors on Internal Control
Required by SEC Rule 17a-5**

**To the Board of Directors of
BLC Financial Services, Inc.**

In planning and performing our audit of the financial statements and supplemental schedules of BLC Financial Services, Inc. (the "Company") for the year ended December 31, 2005, we considered its internal control, including control activities 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.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures, that we considered relevant to the objectives stated in Rule 17a-5(g), in the following:

1. Making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11); and
2. Determining compliance with the exemptive provisions of Rule 15c3-3.

Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13;
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System; and
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3;

The management of the Company is responsible for establishing and maintaining internal control 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 control 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 SEC's above-mentioned objectives. Two of the objectives of internal control 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 the preparation of financial statements in accordance with 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 internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in internal control 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 one or more of the specific internal control components does not reduce to a relatively low level the risk that error or fraud 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 the following matters involving the control environment and control activities and their operation that we consider to be a material weakness as defined above. During 2005, the Company did not properly record revenue and the accounting review processes were not completed in a manner allowing for the accounting errors to be discovered and corrected during the year. As a result, the Company's interim financial statements were incorrect. We understand that the Company intends to improve its control processes and financial statements reviews during 2006. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of the Company, for the year ended December 31, 2005, and this report does not affect our report thereon dated March 23, 2006.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC 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 SEC's objectives except as noted above.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the NASD, and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

PricewaterhouseCoopers LLP

March 23, 2006