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U.S. SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

	<b>FACING PAGE</b>	
<b>Annual Audited Report Form X-17A-5—Part III</b>	<b>Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder</b>	<b>SEC File No. 8-65898</b>

REPORT FOR THE PERIOD BEGINNING 01/01/08 AND ENDING 12/31/08  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

Name of Broker-Dealer: BLC Financial Services, Inc. Official Use Only

Address of Principal Place of Business: SEC MAIL  
Mail Processing  
Section  
Firm ID No. 126638  
(Do not use P.O. Box No.)

600 West Chicago Avenue  
(No. and Street)

Chicago Illinois Washington, DC  
(City) (State) (Zip Code)

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**Name and Telephone Number of Person to Contact in Regard to This Report**

Bill Stewart (317) 817-5073  
(Area Code—Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

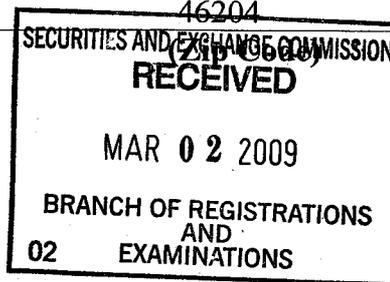
**INDEPENDENT PUBLIC ACCOUNTANT** whose opinion is contained in this Report\*

PricewaterhouseCoopers LLP

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

300 North Meridian Street Indianapolis Indiana 46204  
(Address) City State (Zip Code)

Check One:  
 Certified Public Accountant  
 Public Accountant  
 Accountant not resident in U.S. 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).

SEC 1410 (3.91)

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## OATH OR AFFIRMATION

I, John William Stewart, swear (or affirm) that to the best of our knowledge and belief the accompanying financial statements pertaining to the firm of BLC Financial Services, Inc. as of December 31, 2007 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

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*John William Stewart*

John William Stewart – Vice President & Financial Operations Principal

*Jennifer E. Tuggle* Jennifer E. Tuggle  
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 in Stockholders' Equity or Partners' or Sole Proprietor's 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 240.17a5(e)(3).

**BLC Financial Services, Inc.**  
**Financial Statements and Schedules**  
**For the year ended December 31, 2008**

**BLC Financial Services, Inc.**

**Table of Contents**

Report of Independent Auditors .....	1
Balance Sheet.....	2
Statement of Operations .....	3
Statement of Changes in Stockholder's Equity.....	4
Statement of Cash Flows .....	5
Notes to Financial Statements .....	6
Schedule 1 - Computation of Net Capital Under Rule 15c3-1 .....	9
Schedule 2 - Computation for Determination of Reserve Requirements Under Rule 15c3-3 .....	10
Schedule 3 - Information Relating to Possession or Control Requirements Under Rule 15c3-3 .....	11
Report of Independent Auditors on Internal Accounting Control Required by SEC Rule 17a-5 .....	12

**Report of Independent Auditors**

**PricewaterhouseCoopers LLP**  
300 North Meridian Street  
Indianapolis IN 46204  
Telephone (317) 453 4100  
Facsimile (317) 453 4350

To the Board of Directors of  
BLC Financial Services, Inc.  
(A wholly-owned subsidiary of Bankers Life and Casualty Company)

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, 2008, and the results of its operations, changes in stockholder's equity and 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 the 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 basic financial statements taken as a whole.

As described in Note 3, 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*

February 27, 2009

**BLC Financial Services, Inc.**  
**Balance Sheet**  
December 31, 2008

Assets:	
Cash and cash equivalents	\$1,334,880
Accounts receivable from affiliate	91,149
Other assets	<u>5,992</u>
 Total assets	 <u><u>\$1,432,021</u></u>
 Liabilities:	
Federal income taxes payable to affiliate	\$ 75,478
State taxes payable to affiliate	<u>57</u>
 Total liabilities	 <u>75,535</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>1,297,953</u>
 Total stockholder's equity	 <u>1,356,486</u>
 Total liabilities and stockholder's equity	 <u><u>\$1,432,021</u></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, 2008

Revenues:	
Revenues – Commissions	\$ 910,397
Interest income	<u>26,564</u>
Total revenues	<u>936,961</u>
Expenses:	
Audit fees	12,425
Licenses and fees	6,651
Management fees	12,000
Other expenses	<u>1,123</u>
Total expenses	<u>32,199</u>
Net income before income taxes	904,762
Income tax expense	<u>316,821</u>
Net income	<u>\$ 587,941</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, 2008

Common stock:	
Balance, beginning and end of year	<u>\$          1</u>
Additional paid-in capital:	
Balance, beginning and end of year	<u>58,532</u>
Retained earnings:	
Balance, beginning of year	710,012
Net income	<u>587,941</u>
Balance, end of year	<u>1,297,953</u>
Total stockholder's equity	<u>\$1,356,486</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, 2008

Cash flows from operating activities:	
Net income	\$ 587,941
Adjustments to reconcile net income to net cash provided by operating activities:	
Decrease in accounts receivable from affiliate	23,330
Increase in other assets	(5,249)
Decrease in accounts payable to affiliate	(73,705)
Increase in state taxes payable	30
Increase in federal income taxes payable	<u>15,351</u>
Net cash provided by operating activities	<u>547,698</u>
Cash and cash equivalents at beginning of year	<u>787,182</u>
Cash and cash equivalents at end of year	<u>\$1,334,880</u>

Supplemental cash flow information:

Income taxes paid under tax sharing agreement   \$301,441

The accompanying notes are an integral part  
of the 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 Conseco, Inc. ("Conseco"). Conseco is a financial services holding company with subsidiaries operating throughout the United States.

The Company was established as a securities broker dealer so agents of Bankers could solicit and sell equity investments and other registered products which are regulated by the Financial Industry Regulatory Authority (FINRA), the regulatory body created after the consolidation of the National Association of Securities Dealers (NASD) and the New York Stock Exchange.

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 (collectively referred to as investment products) and fixed annuities, term life, universal life, long-term care and other insurance products (collectively referred to as insurance products). The unaffiliated broker-dealer makes revenue sharing payments to Bankers calculated as a percentage of gross commissions generated from the sale of investment and insurance products. The amount of revenue sharing payments for investment products in excess of certain expenses incurred by Bankers are paid to the Company. The revenue sharing payments for insurance products are fully retained by Bankers. 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 \$910,397 during 2008.

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).

Cash and cash equivalents include cash and other investments purchased with original maturities of less than three months. The Company carries them at cost, which approximates market value. As of December 31, 2008, the Company's cash equivalents balance was \$546. The Company's cash on deposit balance is held with the Bank of New York Mellon and exceeds current FDIC limits of \$250,000.

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.

Revenue is recognized as income is earned.

## 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, 2008, net capital was \$1,259,334 or \$1,254,299 greater than the minimum requirement.

## 3. Transactions with Affiliates:

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. In addition, a significant portion of the Company's income is generated through transactions with such affiliates. As such, any material adverse developments regarding the financial condition of such affiliates could have a significant impact on the Company's operations.

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 2008.

## 4. Income Taxes:

Pursuant to a tax sharing agreement with Consec, the Company is included in Consec's consolidated federal income tax return and certain state income tax returns. Under the agreement, the Company calculates its income taxes as if it were a separate filing company with payment for tax attributes utilized in a consolidated return determined based on the ability of the Company to have benefited from such attributes on a separate entity basis and having historically remitted tax sharing payments equal to such utilization.

The components of income tax expense at December 31, 2008 were as follows:

Current tax provision:	
Federal	\$ 316,583
State	<u>238</u>
Total income tax expense	<u>\$ 316,821</u>

A reconciliation of the U.S. statutory corporate tax rate to the Company's effective tax rate is as follows:

U.S. statutory rate	35.0%
Nondeductible expenses	<u>0.0%</u>
Effective tax rate	<u>35.0%</u>

Deferred income tax assets at December 31, 2008 were comprised of federal net operating loss carry-forwards totaling \$1,105 that were offset by a valuation allowance of \$1,105.

The Company adopted FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an interpretation of FASB No. 109" ("FIN 48") on January 1, 2007. As of December 31, 2008, the amount of unrecognized tax benefits was insignificant.

## 5. Fair Value Measurements

On January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and requires enhanced disclosures about fair value measurements. As defined in SFAS 157, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date and, therefore, represents an exit price, not an entry price. SFAS 157 establishes a three-level hierarchy for valuing assets or liabilities at fair value based on whether inputs are observable or unobservable.

- Level 1- includes assets valued using inputs that are quoted prices in active markets for identical assets. Level 1 securities include highly liquid U.S. Treasury securities, certain common stocks, mutual funds, and cash and cash equivalents.
- Level 2- includes assets valued using inputs that are quoted prices for similar assets in an active market, quoted prices for identical or similar assets in a market that is not active, observable inputs, or observable inputs that can be corroborated by market data. The Company valued no assets classified as Level 2 assets at December 31, 2008.
- Level 3- includes assets valued using unobservable inputs that are used in model-based valuations that contain management assumptions. The Company valued no assets classified as Level 3 assets at December 31, 2008.

The Company's assets subject to SFAS 157 represent cash and cash equivalents and are classified in Level 1.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 allows entities to choose to measure many financial instruments and certain other items, including insurance contracts, at fair value (on an instrument-by-instrument basis) that are not currently required to be measured at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. The Company adopted SFAS 159 on January 1, 2008. The Company did not elect the fair value option for any of the Company's financial assets or liabilities.

Schedule 1

**BLC Financial Services, Inc.**

**Computation of Net Capital Under Rule 15c3-1  
of the Securities and Exchange Commission  
December 31, 2008**

Net capital:	
Total stockholder's equity from balance sheet	\$1,356,486
Less non-allowable assets (affiliated receivables and other assets)	97,141
Less haircuts	<u>11</u>
Net capital	<u>\$1,259,334</u>
Aggregate indebtedness	<u>\$ 75,535</u>
6-2/3% of aggregate indebtedness	<u>\$ 5,035</u>
Net capital and ratio of aggregate indebtedness to net capital:	
Net capital	\$1,259,334
Net capital requirement (greater of 6-2/3% of aggregate indebtedness or \$5,000)	<u>5,035</u>
Net capital in excess of required amount	<u>\$1,254,299</u>
Ratio of aggregate indebtedness to net capital	<u>0.06 to 1</u>

**BLC Financial Services, Inc.**

**Computation for Determination of  
Reserve Requirements Under  
Rule 15c3-3 of the Securities and Exchange Commission  
December 31, 2008**

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, 2008

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 of BLC Financial Services, Inc (the "Company") as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's 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 consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures, that we considered relevant to the objectives stated in Rule 17a-5(g), in making the following:

1. 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 recodation of differences required by Rule 17a-13; and
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.

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 controls 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 conformity 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 and the practices and procedures referred to above, error or fraud 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.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first, second, and third paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities 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 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, 2008 to meet the SEC's objectives.

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*

February 27, 2009