CONSECO INC

FORM 8-K
(Current report filing)

Filed 11/15/96 for the Period Ending 11/15/96

Address	11825 N PENNSYLVANIA ST CARMEL, IN 46032
Telephone	3178176100
CIK	0000719241
SIC Code	6321 - Accident and Health Insurance
Industry	Insurance (Life)
Sector	Financial
Fiscal Year	12/31

CONSECO INC

FORM 8-K
(Unscheduled Material Events)

Filed 11/15/1996 For Period Ending 11/15/1996

Address	11825 N PENNSYLVANIA ST
	CARMEL, Indiana 46032
Telephone	317-817-6100
CIK	0000719241
Industry	Insurance (Life)
Sector	Financial
Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

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

Date of Report: November 15, 1996

CONSECO, INC.

State of Incorporation:
Indiana

Commission File Number IRS Employer Id. Number
No. 1-9250 No. 35-1468632

Address of Principal Executive Offices:
11825 North Pennsylvania Street
Carmel, Indiana 46032

Telephone No.
(317) 817-6100

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ITEM 5. OTHER EVENTS.

The unaudited pro forma consolidated financial statements of Conseco, Inc. and its consolidated subsidiaries ("Conseco") as of and for the nine months ended September 30, 1996, attached as Exhibit 99.2, update Conseco's unaudited pro forma consolidated financial statements filed as Exhibit 99.2 to Conseco's quarterly report on Form 10-Q for the quarterly period ended September 30, 1996, to reflect: (i) the increase in the aggregate liquidation amount of the planned offering of trust originated preferred securities from $200 million to $275 million; and (ii) the increase in the aggregate liquidation amount of a planned additional offering of trust originated preferred securities from $150 million to $225 million. In addition, the assumed distribution rate and expenses associated with both planned offerings were updated to reflect current market conditions. Such transactions are described further in the notes accompanying the pro forma consolidated financial statements.

The pro forma consolidated financial statements are not necessarily indicative of what the financial position or results of operations actually would have been if the transactions had occurred at the dates indicated. Furthermore, the pro forma consolidated financial statements are not intended to be indicative of Conseco's future financial position or future results of operations and should be read in conjunction with the historical consolidated financial statements and related notes thereto included in Conseco's Form 10-Q for the quarterly period ended September 30, 1996.

ITEM 7(c). EXHIBITS.

99.2	Pro Forma Consolidated Financial Statements of Conseco, Inc. and Subsidiaries

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 15, 1996

CONSECO, INC.

By: /s/ROLLIN M. DICK

Rollin M. Dick
Executive Vice President
and Chief Financial Officer

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UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS OF CONSECO, INC.

The unaudited pro forma consolidated statement of operations of Conseco, Inc. ("Conseco") for the nine months ended September 30, 1996, presents the consolidated operating results for Conseco as if the following planned transactions had occurred on January 1, 1995: (1) the issuance of $275.0 million of trust originated preferred securities having an assumed distribution rate of 9.16 percent (the "Offering"); (2) the issuance of an additional $225.0 million of trust originated preferred securities having an assumed distribution rate of 9.16 percent (the "Additional Offering"); (3) the merger (the "ATC Merger") of American Travellers Corporation ("ATC") with and into Conseco; (4) the acquisition of all of the outstanding common stock of Bankers Life Holding Corporation ("BLH") not previously owned by Conseco and related transactions (the "BLH Transaction"); (5) the merger (the "CAF Merger") of a subsidiary of Conseco with and into Capitol American Financial Corporation ("CAF"); and (6) the merger (the "THI Merger") of Transport Holdings Inc. ("THI") with and into Conseco.

The pro forma consolidated statement of operations data for Conseco for the nine months ended September 30, 1996, set forth in the unaudited pro forma consolidated statement of operations under the column "Pro forma Conseco before the Offering" reflect the prior application of certain pro forma adjustments for the following transactions, all of which have already occurred, as if such transactions had occurred on January 1, 1995: (1) the call for redemption of Conseco's Series D Convertible Preferred Stock (the "Series D Call") completed September 26, 1996; (2) the acquisition of all of the outstanding common stock of American Life Holdings, Inc. ("ALH"), not previously owned by Conseco or its affiliates, and related transactions (the "ALH Transaction") completed September 30, 1996; (3) the acquisition and merger of Life Partners Group, Inc. ("LPG") completed effective June 30, 1996 (the "LPG Merger"); (4) the issuance of 4.37 million shares of Conseco PRIDES in January 1996; and (5) the BLH tender offer for and repurchase of its 13 percent senior subordinated notes due 2002 and related financing transactions completed in March 1996 (the "BLH Tender Offer"). Such pro forma adjustments are set forth in Exhibit 99.1 included in Conseco's Form 10-Q for the quarterly period ended September 30, 1996.

The unaudited pro forma consolidated balance sheet of Conseco as of September 30, 1996, gives effect to the following planned transactions as if each had occurred on September 30, 1996: (1) the Offering; (2) the Additional Offering; (3) the ATC Merger; (4) the BLH Transaction; (5) the CAF Merger; and
(6) the THI Merger.

The pro forma consolidated financial statements are based on the historical financial statements of Conseco, LPG, ATC, CAF and THI and are qualified in their entirety by and should be read in conjunction with, these financial statements and the notes thereto. The pro forma data are not necessarily indicative of the results of operations or financial condition of Conseco had these transactions occurred on January 1, 1995, nor the results of future operations. Conseco anticipates cost savings and additional benefits as a result of certain of the transactions contemplated in the pro forma financial statements. Such benefits and any other changes that might have resulted from management of the combined companies have not been included as adjustments to the pro forma consolidated financial statements. Certain amounts from the prior periods have been reclassified to conform to the current presentation.

The unaudited pro forma consolidated financial statements reflect cost allocations for the LPG Merger, the ALH Transaction, the ATC Merger, the BLH Transaction, the CAF Merger and the THI Merger using estimated values of the assets and liabilities of LPG, ATC, ALH, BLH, CAF and THI as of the assumed merger dates based on appraisals and other studies, which are not yet complete. Accordingly, the final allocations will be different than the amounts included in the accompanying pro forma consolidated financial statements. Although the final allocations will differ, the pro forma consolidated financial statements reflect management's best estimate based on currently available information as if the LPG Merger, the ALH Transaction, the ATC Merger, the BLH Transaction, the CAF Merger and the THI Merger had occurred on the assumed merger dates.

CONSECO, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
for the nine months ended September 30, 1996
(Amounts in millions, except per share amounts)
(unaudited)

	Pro forma Conseco before the Offering	Pro forma adjustments relating to the Offering	Pro forma for the Offering	Pro forma adjustments relating to Additional Offering	Pro forma Conseco subtotal(a)
Revenues:					
Insurance policy income	$1,349.0	$ -	$1,349.0	$ -	$1,349.0
Investment activity:					
Net investment income	1,084.4		1,084.4		1,084.4
Net trading losses	(6.5)		(6.5)		(6.5)
Net realized gains	23.0		23.0		23.0
Fee revenue	29.7		29.7		29.7
Restructuring income	30.4		30.4		30.4
Other income	11.4		11.4		11.4
Total revenues	2,521.4		2,521.4		2,521.4
Benefits and expenses:					
Insurance policy benefits and change in future policy benefits	957.2		957.2		957.2
Interest expense on annuities and financial products	549.5		549.5		549.5
Interest expense on notes payable	100.7	(12.9)(1)	87.8	(10.6)(6)	77.2
Interest expense on investment borrowings	17.2		17.2		17.2
Amortization related to operations	242.9		242.9		242.9
Amortization related to realized gains	22.3		22.3		22.3
Other operating costs and expenses	243.5		243.5		243.5
Total benefits and expenses	2,133.3	(12.9)	2,120.4	(10.6)	2,109.8
Income before income taxes, minority interest and extraordinary charge	388.1	12.9	401.0	10.6	411.6
Income tax expense	147.9	4.5 (2)	152.4	3.7 (7)	156.1
Income before minority interest and extraordinary charge	240.2	8.4	248.6	6.9	255.5
Minority interest in consolidated subsidiaries:					
Dividends on Company - obligated mandatorily redeemable preferred securities of subsidiary trusts	-	12.3 (3)	12.3	10.0 (8)	22.3
Dividends on preferred stock	6.4		6.4		6.4
Equity in earnings	13.9		13.9		13.9
Income before extraordinary charge	$ 219.9	$ (3.9)	$ 216.0	$ (3.1)	$ 212.9
Earnings per common share and common equivalent share:					
Primary:					
Weighted average shares outstanding	77.2		77.2		77.2
Income before extraordinary charge	$2.85		$2.80		$2.76
Fully diluted:					
Weighted average shares outstanding	78.7		78.7		78.7
Income before extraordinary charge	$2.79		$2.74		$2.71

(a) Amounts are carried forward to page 3.

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

CONSECO, INC AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
for the nine months ended September 30, 1996
(Amounts in millions, except per share amounts)
(unaudited)

	Pro forma Conseco subtotal(a)	ATC historical	Pro forma adjustments relating to the ATC Merger	Pro forma Conseco subtotal	Pro forma adjustments relating to the BLH Transaction	Pro forma Conseco subtotal(b)
Revenues:						
Insurance policy income	$1,349.0	$ 283.3	$ -	$1,632.3	$ -	$1,632.3
Investment activity:						
Net investment income	1,084.4	33.2	1.1 (11)	1,118.7		1,118.7
Net trading losses	(6.5)			(6.5)		(6.5)
Net realized gains	23.0	1.3	2.3 (11)	26.6	(.2)(26)	26.4
Fee revenue	29.7			29.7		29.7
Restructuring income	30.4			30.4		30.4
Other income	11.4			11.4		11.4
Total revenues	2,521.4	317.8	3.4	2,842.6	(.2)	2,842.4
Benefits and expenses:						
Insurance policy benefits and change in future policy benefits	957.2	192.2		1,149.4	(1.5)(26)	1,147.9
Interest expense on annuities and financial products	549.5			549.5		549.5
Interest expense on notes payable	77.2	5.8	1.5 (12) (3.7)(13)	80.8		80.8
Interest expense on investment borrowings	17.2			17.2		17.2
Amortization related to operations	242.9	16.4	(16.4)(14) 19.9 (14) 10.8 (15)	273.6	.4 (26)	274.0
Amortization related to realized gains	22.3			22.3	(.1)(26)	22.2
Other operating costs and expenses	243.5	64.4		307.9	1.6 (26)	309.5
Total benefits and expenses	2,109.8	278.8	12.1	2,400.7	.4	2,401.1
Income before income taxes, minority interest and extraordinary charge	411.6	39.0	(8.7)	441.9	(.6)	441.3
Income tax expense	156.1	13.0	.7 (16)	169.8	(.1)(27)	169.7
Income before minority interest and extraordinary charge	255.5	26.0	(9.4)	272.1	(.5)	271.6
Minority interest in consolidated subsidiaries:						
Dividends on Company - obligated mandatorily redeemable preferred securities of subsidiary trusts	22.3			22.3		22.3
Dividends on preferred stock	6.4			6.4		6.4
Equity in earnings	13.9			13.9	(13.9)(28)	-
Income before extraordinary charge	$ 212.9	$ 26.0	$ (9.4)	$ 229.5	$ 13.4	$ 242.9

Earnings per common share and common equivalent share:					
Primary:					
Weighted average shares outstanding	77.2	13.1 (17)	90.3	2.6 (29)	92.9
Income before extraordinary charge	$2.76		$2.54		$2.61
Fully diluted:					
Weighted average shares outstanding	78.7	18.1 (17)	96.8	2.6 (29)	99.4
Income before extraordinary charge	$2.71		$2.39		$2.46

(a) Amounts have been carried forward from page 2.

(b) Amounts are carried forward to page 4.

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

CONSECO, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS
for the nine months ended September 30, 1996
(Amounts in millions, except per share amounts)
(unaudited)

	Pro forma Conseco subtotal(a)	CAF historical	Pro forma adjustments relating to the CAF Merger	Pro forma Conseco subtotal	THI historical	Pro forma adjustments relating to the THI Merger	Pro forma for the Offering and other planned transactions
Revenues:							
Insurance policy income	$1,632.3	$ 219.9	$ -	$1,852.2	$ 82.4	$	$1,934.6
Investment activity:							
Net investment income	1,118.7	41.7	(2.6)(32)	1,157.8	29.6	(5.0)(51)	1,182.4
Net trading losses	(6.5)			(6.5)			(6.5)
Net realized gains	26.4	.3	(.3)(32)	26.4	.3	(.3)(51)	26.4
Fee revenue	29.7			29.7			29.7
Restructuring income	30.4			30.4			30.4
Other income	11.4			11.4	1.4		12.8
Total revenues	2,842.4	261.9	(2.9)	3,101.4	113.7	(5.3)	3,209.8
Benefits and expenses:							
Insurance policy benefits and change in future policy benefits	1,147.9	124.4	(2.3)(33)	1,270.0	54.1		1,324.1
Interest expense on annuities and financial products	549.5			549.5			549.5
Interest expense on notes payable	80.8	1.6	(1.6)(34) 27.9 (35)	108.7	6.8	(6.8)(52) .9 (52)	109.6
Interest expense on investment borrowings	17.2			17.2			17.2
Amortization related to operations	274.0	17.5	(17.5)(36) 23.0 (36) 4.4 (37)	301.4	6.2	(6.2)(53) 10.3 (53)	311.7
Amortization related to realized gains	22.2			22.2			22.2
Other operating costs and expenses	309.5	58.7		368.2	24.4		392.6
Total benefits and expenses	2,401.1	202.2	33.9	2,637.2	91.5	(1.8)	2,726.9
Income before income taxes, minority interest and extraordinary charge	441.3	59.7	(36.8)	464.2	22.2	(3.5)	482.9
Income tax expense	169.7	20.9	(11.4)(38)	179.2	7.8	(1.2)(54)	185.8
Income before minority interest and extraordinary charge	271.6	38.8	(25.4)	285.0	14.4	(2.3)	297.1
Minority interest in consolidated subsidaires:							
Dividends on Company - obligated mandatorily redeemable preferred securities of subsidiary trusts	22.3			22.3			22.3
Dividends on preferred stock	6.4			6.4			6.4
Equity in earnings	-			-			-
Income before extraordinary charge	$ 242.9	$ 38.8	$ (25.4)	$ 256.3	$ 14.4	$(2.3)	$ 268.4
Earnings per common share and common equivalent share:							
Primary:							
Weighted average shares outstanding	92.9		2.4 (39)	95.3		4.7 (55)	100.0
Income before							

extraordinary charge	$2.61		$2.69			$2.68
	=====		=====			=====
Fully diluted:						
Weighted average shares outstanding	99.4	2.4 (39)	101.8	4.7 (55)		106.5
	====	====	=====	====		=====
Income before extraordinary charge	$2.46		$2.53			$2.53
	=====		=====			=====

(a) Amounts have been carried forward from page 3.

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

CONSECO, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET
September 30, 1996
(Dollars in millions)
(unaudited)

	Conseco as reported	Pro forma adjustments relating to the Offering	Pro forma for the Offering	Pro forma adjustments relating to Additional Offering	Pro forma Conseco subtotal(a)
Assets					
Investments:					
Actively managed fixed maturity securities at fair value	$15,959.8	$ -	$15,959.8	$ -	$15,959.8
Held-to-maturity fixed maturity securities	-		-		-
Equity securities at fair value	104.2		104.2		104.2
Mortgage loans	372.5		372.5		372.5
Credit-tenant loans	393.8		393.8		393.8
Policy loans	526.0		526.0		526.0
Other invested assets	211.0		211.0		211.0
Short-term investments	212.3	265.5 (4) (265.5)(4)	212.3	217.1 (9) (217.1)(9)	212.3
Assets held in separate accounts	300.4		300.4		300.4
Total investments	18,080.0	-	18,080.0	-	18,080.0
Accrued investment income	276.7		276.7		276.7
Cost of policies purchased	1,847.1		1,847.1		1,847.1
Cost of policies produced	541.0		541.0		541.0
Reinsurance receivables	400.6		400.6		400.6
Income taxes	138.9		138.9		138.9
Goodwill	1,524.7		1,524.7		1,524.7
Property and equipment	105.9		105.9		105.9
Securities segregated for future redemption of redeemable preferred stock of a subsidiary	45.0		45.0		45.0
Other assets	216.1		216.1		216.1
Total assets	$23,176.0	$ -	$23,176.0	$ -	$23,176.0

(a) Amounts are carried forward to page 6.
The accompanying notes are an integral part of the pro forma consolidated financial statements.

CONSECO, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET
September 30, 1996
(Dollars in millions)
(unaudited)

	Pro forma Conseco subtotal(a)	ATC historical	Pro forma adjustments relating to the ATC Merger	Pro forma Conseco subtotal	Pro forma adjustments relating to the BLH Transaction	Pro forma Conseco subtotal(b)
Assets						
Investments:						
Actively managed fixed maturity securities at fair value	$15,959.8	$ 689.7	$ -	$16,649.5	$ -	$16,649.5
Held-to-maturity fixed maturity securities	-					-
Equity securities at fair value	104.2			104.2		104.2
Mortgage loans	372.5	.4		372.9		372.9
Credit-tenant loans	393.8			393.8		393.8
Policy loans	526.0			526.0		526.0
Other invested assets	211.0			211.0		211.0
Short-term investments	212.3	12.2	(30.4)(18) 30.4 (19)	224.5		224.5
Assets held in separate accounts	300.4			300.4		300.4
Total investments	18,080.0	702.3	-	18,782.3	-	18,782.3
Accrued investment income	276.7	7.7		284.4		284.4
Cost of policies purchased	1,847.1	11.3	268.8 (20) (11.3)(20)	2,115.9	65.9 (26)	2,181.8
Cost of policies produced	541.0	168.7	(168.7)(21)	541.0	(50.7)(26)	490.3
Reinsurance receivables	400.6			400.6		400.6
Income taxes	138.9		(27.1)(22) (26.2)(22)	85.6	(5.3)(27)	80.3
Goodwill	1,524.7		563.2 (23)	2,087.9	57.3 (26)	2,145.2
Property and equipment	105.9	3.9		109.8		109.8
Securities segregated for future redemption of redeemable preferred stock of a subsidiary	45.0			45.0		45.0
Other assets	216.1	13.7		229.8		229.8
Total assets	$23,176.0	$ 907.6	$ 598.7	$24,682.3	$ 67.2	$24,749.5

(a) Amounts have been carried forward from page 5.
(b) Amounts are carried forward to page 7.

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

CONSECO, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET
September 30, 1996
(Dollars in millions)
(unaudited)

	Pro forma Conseco subtotal(a)	CAF historical	Pro forma adjustments relating to the CAF Merger	Pro forma Conseco subtotal	THI historical	Pro forma adjustments relating to the THI Merger	Pro forma for the Offering and other planned transactions
Assets							
Investments:							
Actively managed fixed maturity securities at fair value	$16,649.5	$ 308.5	$ 358.3 (40) 94.2 (41)	$17,410.5	$ 483.0	$ (83.9)(57)	$17,809.6
Held-to-maturity fixed maturity securities	-	358.3	(358.3)(40)	-			-
Equity securities at fair value	104.2	10.2		114.4	1.1		115.5
Mortgage loans	372.9			372.9	8.3		381.2
Credit-tenant loans	393.8			393.8			393.8
Policy loans	526.0			526.0	16.9		542.9
Other invested assets	211.0			211.0	6.5		217.5
Short-term investments	224.5	29.4	(534.0)(42) (26.0)(42) (29.0)(42) 589.0 (43)	253.9	34.6	83.9 (57) 18.5 (58) (18.5)(58) (58.3)(58) (25.6)(58)	288.5
Assets held in separate accounts	300.4			300.4			300.4
Total investments	18,782.3	706.4	94.2	19,582.9	550.4	(83.9)	20,049.4
Accrued investment income	284.4	6.9		291.3	5.7		297.0
Cost of policies purchased	2,181.8		492.2 (44)	2,674.0	10.8	112.8 (59) (10.8)(59)	2,786.8
Cost of policies produced	490.3	271.3	(271.3)(45)	490.3	28.4	(28.4)(60)	490.3
Reinsurance receivables	400.6			400.6	328.6	(260.0)(62)	469.2
Income taxes	80.3		(79.3)(46) (1.0)(46)	-			-
Goodwill	2,145.2		223.7 (47)	2,368.9			2,368.9
Property and equipment	109.8	4.4		114.2	.7		114.9
Securities segregated for future redemption of redeemable preferred stock of a subsidiary	45.0			45.0			45.0
Other assets	229.8	28.9		258.7	17.3		276.0
Total assets	$24,749.5	$1,017.9	$ 458.5	$26,225.9	$ 941.9	$(270.3)	$26,897.5

(a) Amounts have been carried forward from page 6.

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

CONSECO, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET
September 30, 1996
(Dollars in millions)
(unaudited)

	Conseco as reported	Pro forma adjustments relating to the Offering	Pro forma for the Offering	Pro forma adjustments relating to Additional Offering	Pro forma Conseco subtotal	ATC Historical	Pro forma adjustments relating to the ATC Merger	Pro forma Conseco subtotal(a)
Liabilities:								
Insurance liabilities	$18,150.7	$ -	$18,150.7	$ -	$18,150.7	$ 586.3	$ -	$18,737.0
Income tax liabilities	-		-		-	26.2	(26.2)(22)	-
Investment borrowings	539.4		539.4		539.4			539.4
Other liabilities	482.0		482.0		482.0	10.9	11.3 (24)	504.2
Liabilities related to separate accounts	300.1		300.1		300.1			300.1
Notes payable of Conseco	1,169.0	(265.5)(4)	903.5	(217.1)(9)	686.4	102.9	30.4 (19) 135.7 (24)	955.4
Notes payable of Bankers Life Holding Corporation, not direct obligations of Conseco	418.1		418.1		418.1			418.1
Notes payable of American Life Holdings, Inc., not direct obligations of Conseco	13.0		13.0		13.0			13.0
Total liabilities	21,072.3	(265.5)	20,806.8	(217.1)	20,589.7	726.3	151.2	21,467.2
Minority interest in consolidated subsidiaries:								
Company - obligated mandatorily redeemable preferred securities of subsidiary trusts	-	275.0 (5)	275.0	225.0 (10)	500.0			500.0
Preferred stock	92.5		92.5		92.5			92.5
Common stock	55.3		55.3		55.3			55.3
Shareholders' equity:								
Preferred stock	267.1		267.1		267.1			267.1
Common stock and additional paid-in capital	1,054.5	(9.5)(5)	1,045.0	(7.9)(10)	1,037.1	64.4	(64.4)(25) 628.8 (25)	1,665.9
Unrealized appreciation (depreciation) of securities	(47.0)		(47.0)		(47.0)	(10.3)	10.3 (25)	(47.0)
Retained earnings	681.3		681.3		681.3	127.2	(127.2)(25)	681.3
Total shareholders' equity	1,955.9	(9.5)	1,946.4	(7.9)	1,938.5	181.3	447.5	2,567.3
Total liabilities and shareholders' equity	$23,176.0	$ -	$23,176.0	$ -	$23,176.0	$907.6	$ 598.7	$24,682.3

(a) Amounts are carried forward to page 9.

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

CONSECO, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET
September 30, 1996
(Dollars in millions)
(unaudited)

	Pro forma Conseco subtotal(a)	Pro forma adjustments relating to the BLH Transaction	Pro forma Conseco subtotal	CAF Historical	Pro forma adjustments relating to the CAF Merger	Pro forma Conseco subtotal(b)
Liabilities:						
Insurance liabilities	$18,737.0	$ -	$18,737.0	$ 611.4	$ 88.4 (48)	$19,436.8
Income tax liabilities	-		-	52.2	(1.0)(46)	51.2
Investment borrowings	539.4		539.4			539.4
Other liabilities	504.2		504.2	20.7		524.9
Liabilities related to separate accounts	300.1		300.1			300.1
Notes payable of Conseco	955.4	418.1 (30)	1,373.5	29.0	(29.0)(49) 589.0 (43)	1,962.5
Notes payable of Bankers Life Holding Corporation, not direct obligations of Conseco	418.1	(418.1)(30)	-			-
Notes payable of American Life Holdings, Inc., not direct obligations of Conseco	13.0		13.0			13.0
Total liabilities	21,467.2	-	21,467.2	713.3	647.4	22,827.9
Minority interest in consolidated subsidiaries:						
Company - obligated mandatorily redeemable preferred securities of subsidiary trusts	500.0		500.0			500.0
Preferred stock	92.5		92.5			92.5
Common stock	55.3	(55.3)(28)	-			-
Shareholders' equity:						
Preferred stock	267.1		267.1			267.1
Common stock and additional paid-in capital	1,665.9	122.5 (31)	1,788.4	35.5	(35.5)(50) 115.7 (50)	1,904.1
Unrealized appreciation (depreciation) of securities	(47.0)		(47.0)	(1.8)	1.8 (50)	(47.0)
Retained earnings	681.3		681.3	270.9	(270.9)(50)	681.3
Total shareholders' equity	2,567.3	122.5	2,689.8	304.6	(188.9)	2,805.5
Total liabilities and shareholders' equity	$24,682.3	$ 67.2	$24,749.5	$1,017.9	$ 458.5	$26,225.9

(a) Amounts have been carried forward from page 8.
(b) Amounts are carried forward to page 10.

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

CONSECO, INC. AND SUBSIDIARIES
PRO FORMA CONSOLIDATED BALANCE SHEET
September 30, 1996
(Dollars in millions)
(unaudited)

	Pro forma Conseco subtotal(a)	THI historical	Pro forma adjustments relating to the THI Merger	Pro forma for the Offering and other planned transactions
Liabilities:				
Insurance liabilities	$19,436.8	$ 623.4	$ (260.0)(62)	$19,800.2
Income tax liabilities	51.2	17.5	25.8 (61)	94.5
Investment borrowings	539.4			539.4
Other liabilities	524.9	18.5		543.4
Liabilities related to separate accounts	300.1			300.1
Notes payable of Conseco	1,962.5	108.3	(58.3)(63) (50.0)(63) 18.5 (63)	1,981.0
Notes payable of Bankers Life Holding Corporation, not direct obligations of Conseco	-			-
Notes payable of American Life Holdings, Inc., not direct obligations of Conseco	13.0			13.0
Total liabilities	22,827.9	767.7	(324.0)	23,271.6
Minority interest in consolidated subsidiaries:				
Company - obligated mandatorily redeemable preferred securities of subsidiary trusts	500.0			500.0
Preferred stock	92.5			92.5
Common stock	-			-
Shareholders' equity:				
Preferred stock	267.1	22.8	(22.8)(64)	267.1
Common stock and additional paid-in capital	1,904.1	169.7	(169.7)(64) 121.7 (64) 106.2 (64)	2,132.0
Unrealized appreciation (depreciation) of securities	(47.0)	4.7	(4.7)(64)	(47.0)
Retained earnings	681.3	(23.0)	23.0 (64)	681.3
Total shareholders' equity	2,805.5	174.2	53.7	3,033.4
Total liabilities and shareholders' equity	$26,225.9	$ 941.9	$ (270.3)	$26,897.5

(a) Amounts have been carried forward from page 9.

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

PRO FORMA ADJUSTMENTS

TRANSACTIONS RELATING TO THE OFFERING

Conseco Financing Trust I (the "Trust"), a wholly owned subsidiary of Conseco, intends to issue preferred securities (the "Preferred Securities") having an aggregate liquidation amount of $275 million and an assumed distribution rate of 9.16 percent. The Trust will use the proceeds from the sale of such securities to purchase subordinated debentures of Conseco in an aggregate principal amount equivalent to the aggregate liquidation amount of the Preferred Securities that are issued. The subordinated debentures are assumed to bear interest at a rate of 9.16 percent. Conseco will use the proceeds to reduce borrowings under its bank credit facilities.

(1) Interest expense is reduced to reflect the repayment of $265.5 million aggregate principal amount of borrowings under Conseco's bank credit facilities.

A change in interest rates of .5 percent on the borrowings under Conseco's bank credit facilities to be repaid from the Offering would result in: (1) a decrease (or increase) in pro forma interest expense of $1.0 million for the nine months ended September 30, 1996; and (2) an increase (or decrease) in pro forma net income of $.6 million for the same period.

(2) The pro forma adjustment is tax affected, based on Conseco's effective tax rate of 35 percent.

(3) Minority interest is adjusted to reflect the dividends (net of the related tax benefit) on the Preferred Securities.

(4) Notes payable are reduced to reflect the repayment of $265.5 million aggregate principal amount of borrowings under Conseco's bank credit facilities using the net proceeds from the Preferred Securities.

(5) The Company's minority interest in consolidated subsidiaries is increased by the aggregate liquidation amount of the Preferred Securities. Issuance and other transaction costs related to the Preferred Securities are charged to paid-in capital.

OTHER PLANNED TRANSACTIONS

Transactions relating to the Additional Offering

In addition to the Preferred Securities offered above, a subsidiary trust of Conseco intends to issue an additional $225 million of trust originated preferred securities having an assumed distribution rate of 9.16 percent. The subsidiary will use the proceeds from the sale of such securities to purchase Conseco subordinated debentures with an aggregate principal amount equivalent to the aggregate liquidation amount of the trust originated preferred securities that are issued. The subordinated debentures of Conseco are assumed to bear interest at a rate of 9.16 percent. Conseco will use the proceeds to reduce borrowings under its bank credit facilities.

(6) Interest expense is reduced to reflect the repayment of $217.1 million aggregate principal amount of borrowings under Conseco's bank credit facilities.

A change in interest rates of .5 percent on the borrowings under Conseco's bank credit facilities to be repaid from the Additional Offering would result in: (1) a decrease (or increase) in pro forma interest expense of $.8 million for the nine months ended September 30, 1996; and (2) an increase (or decrease) in pro forma net income of $.5 million for the same period.

(7) The pro forma adjustment is tax affected, based on Conseco's effective tax rate of 35 percent.

(8) Minority interest is adjusted to reflect the dividends (net of the related tax benefit) on the trust originated preferred securities.

(9) Notes payable are reduced to reflect the repayment of $217.1 million aggregate principal amount of borrowings under Conseco's bank credit facilities using the net proceeds from the trust originated preferred securities.

(10) The Company's minority interest in consolidated subsidiaries is increased by the aggregate liquidation amount of the trust originated preferred securities. Issuance and other transaction costs related to the trust originated preferred securities are charged to paid-in capital.

Transactions relating to the ATC Merger

The ATC Merger will be accounted for under the purchase method of accounting. Under this method, the total cost to acquire ATC will be allocated to the assets and liabilities acquired based on their fair values as of the date of the ATC Merger, with any excess of the total purchase cost over the fair value of the assets acquired less the fair value of the liabilities assumed recorded as goodwill. Conseco believes the ATC Merger will not qualify to be accounted for under the pooling of interests method in accordance with APB No. 16 because an affiliate of ATC intends to sell a portion of the Conseco common stock it receives in the ATC Merger shortly after the consummation of the ATC Merger. In the ATC Merger, each outstanding share of ATC common stock is assumed to be exchanged for a fraction of a share of Conseco's common stock to be determined based on an average price of Conseco's common stock prior to its closing (it is assumed Conseco's share price will be $48.00, resulting in an exchange ratio of .7298 shares valued at $35.03). Conseco will issue an assumed 13.1 million shares of Conseco common stock with a value of approximately $628.8 million to acquire ATC's common stock. In addition, Conseco will assume the ATC convertible subordinated debentures, which will be convertible into an assumed 5.0 million shares of Conseco common stock with a value of approximately $238.6 million. In addition, Conseco is expected to incur costs related to the ATC Merger (including contract termination, relocation, legal, accounting and other costs) of approximately $30.4 million.

The cost to acquire ATC is allocated as follows (dollars in millions):

Book value of assets acquired based on the assumed date of the ATC Merger (September 30, 1996)	$181.3
Convertible subordinated debentures assumed by Conseco at the assumed date of the ATC Merger	102.9
Increase (decrease) in ATC's net asset value to reflect estimated fair value and asset reclassifications at the assumed date of the ATC Merger:	
Cost of policies purchased (related to the ATC Merger)	268.8
Cost of policies produced and cost of policies purchased (historical)	(180.0)
Goodwill (related to the ATC Merger)	563.2
Income taxes	(27.1)
Other liabilities	(11.3)
Total estimated fair value adjustments	613.6
Total cost to acquire ATC	$897.8

Adjustments to the pro forma consolidated statement of operations to give effect to the ATC Merger as of January 1, 1995, are summarized below.

(11) Net investment income and net realized gains of ATC are adjusted to include the effect of adjustments to restate the amortized cost basis of fixed maturity securities to their estimated fair value.

(12) Interest expense is increased to reflect the increase in borrowings under Conseco's bank credit facilities used to complete the ATC Merger.

A change in interest rates of .5 percent on the additional borrowings under Conseco's bank credit facilities used to complete the ATC Merger would result in: (1) an increase (or decrease) in pro forma interest expense of $.1 million for the nine months ended September 30, 1996; and (2) a decrease (or increase) in pro forma net income of $.1 million for the same period.

(13) Interest expense is reduced to reflect the amortization of the liability established at the assumed date of the ATC Merger representing the present value of the interest payable on ATC's convertible subordinated debentures to October 1, 1998 (the earliest call date), less the present value of the dividends that would be paid on Conseco's common stock that such debentures would be convertible into during the same period.

(14) Amortization of the cost of policies produced and the cost of policies purchased prior to the ATC Merger is replaced with the amortization of the cost of policies purchased (amortized in relation to estimated premiums on the policies purchased with interest equal to the liability rate which averages 5.5 percent).

(15) Amortization of goodwill acquired in the ATC Merger is recognized over a 40-year period on a straight-line basis.

(16) Reflects the tax adjustment for the pro forma adjustments at the appropriate rate for the specific item.

(17) Common shares outstanding are increased to reflect the Conseco shares issued in the ATC Merger. Fully diluted shares also include Conseco shares which will be issued when ATC's convertible subordinated debentures are converted.

Adjustments to the pro forma consolidated balance sheet to give effect to the ATC Merger as of September 30, 1996, are summarized below.

(18) Cash is reduced for payments made to complete the ATC Merger.

(19) Short-term investments and notes payable of Conseco are increased for additional borrowings by Conseco to complete the ATC Merger.

(20) ATC's historical cost of policies purchased is eliminated and replaced with the cost of policies purchased recognized in the ATC Merger. Cost of policies purchased reflects the estimated fair value of ATC's business in force and represents the portion of the cost to acquire ATC that is allocated to the value of the right to receive future cash flows from the acquired policies.

The 18 percent discount rate used to determine such value is the rate of return required by Conseco to invest in the business being acquired. In determining such rate of return, the following factors are considered:

- The magnitude of the risks associated with each of the actuarial assumptions used in determining the expected cash flows.

- Cost of capital available to fund the acquisition.

- The perceived likelihood of changes in insurance regulations and tax laws.

- Complexity of the acquired company.

- Prices paid (i.e., discount rates used in determining valuations) on similar blocks of business sold recently.

The value allocated to the cost of policies purchased is based on a preliminary valuation; accordingly, this allocation may be adjusted upon final determination of such value. Expected gross amortization of such value using current assumptions and accretion of interest based on an interest rate equal to the liability rate (such rate averages 5.5 percent) for each of the years in the five-year period ending September 30, 2001, are as follows (dollars in millions):

Year ending September 30,	Beginning balance	Gross amortization	Accretion of interest	Net amortization	Ending balance
1997	$268.8	$35.4	$14.2	$21.2	$247.6
1998	247.6	32.3	12.9	19.4	228.2
1999	228.2	29.6	12.0	17.6	210.6
2000	210.6	27.3	10.9	16.4	194.2
2001	194.2	25.2	10.1	15.1	179.1

(21) ATC's cost of policies produced is eliminated since such amounts are reflected in the determination of the cost of policies purchased.

(22) All of the applicable pro forma balance sheet adjustments are tax affected at the appropriate rate. Deferred tax liabilities of ATC are netted against deferred tax assets of Conseco.

(23) Goodwill acquired in the ATC Merger is recognized.

(24) Notes payable are increased to reflect the fair value of ATC's convertible subordinated debentures at the date of the ATC Merger. Such fair value represents the value of the Conseco common stock which ATC's convertible subordinated debentures will be convertible into after the ATC Merger. It is assumed that the holders of such debentures do not convert into Conseco common stock at the time of the ATC Merger.

In addition, a liability is established representing the present value of the interest payable on such debentures to October 1, 1998 (the earliest call date), less the present value of the dividends that would be paid on the Conseco common stock that such debentures would be convertible into during the same period.

(25) The prior shareholders' equity of ATC is eliminated in conjunction with the ATC Merger. Common stock and additional paid-in capital is increased by the value of the Conseco common stock issued in the ATC Merger.

Transactions relating to the BLH Transaction

Conseco has proposed to acquire all of the common stock of BLH, not owned by Conseco. In the BLH Transaction, each share of BLH common stock would be converted into the right to receive a fraction of a share of Conseco common stock to be determined based on the average price of Conseco's common stock prior to closing (it is assumed that such price per share of Conseco common stock will be $48.00, resulting in an exchange ratio of .5208 shares valued at $25.00). Conseco will issue an assumed 2.6 million shares of Conseco common stock with a value of approximately $122.5 million.

The pro forma adjustments are applied to the historical consolidated financial statements of Conseco using the step acquisition method of accounting. Under this method, the total purchase cost of the common stock of BLH, not already owned by Conseco, is allocated to the assets and liabilities acquired based on their relative fair values as of the date of acquisition, with any excess of the total purchase cost over the fair value of the assets acquired less the fair value of the liabilities assumed recorded as goodwill. The values of the assets and liabilities of BLH included in Conseco's pro forma consolidated financial statements represent the combination of the following values: (1) the portion of BLH's net assets acquired by Conseco in the initial acquisition made by Conseco Capital Partners, L.P. on October 31, 1992, is valued as of that acquisition date; (2) the portion of BLH's net assets acquired by Conseco on September 30, 1993, is valued as of that acquisition date; (3) the portion of BLH's net assets acquired during 1995 and the first quarter of 1996 is valued as of its assumed date of acquisition; and (4) the portion of BLH's net assets acquired in the BLH Transaction is valued at the assumed dates of acquisition.

Adjustments to give effect to the BLH Transaction are summarized below:

(26) As described above, the BLH Transaction is accounted for as a step acquisition. The accounts of BLH are adjusted to reflect the step basis method of accounting as if the BLH Transaction was completed on the assumed dates of acquisition.

(27) All pro forma adjustments are tax affected based on the appropriate rate for the specific item.

(28) Minority interest is reduced to eliminate the ownership interest of the former shareholders of BLH.

(29) Common shares outstanding are increased to reflect the shares of Conseco common stock issued in the acquisition of additional shares of BLH common stock.

(30) Notes payable of BLH are reclassified as notes payable of Conseco, since BLH would be merged into Conseco.

(31) Common stock and additional paid-in capital is increased by the value of Conseco common stock issued in the acquisition of additional shares of BLH common stock.

Transactions relating to the CAF Merger

The CAF Merger will be accounted for under the purchase method of accounting. Under this method, the total cost to acquire CAF will be allocated to the assets and liabilities acquired based on their fair values as of the date of the CAF Merger, with any excess of the total purchase cost over the fair value of the assets acquired less the fair value of the liabilities assumed recorded as goodwill. In the CAF Merger, each outstanding share of CAF common stock is assumed to be exchanged for $30 in cash and the right to receive a fraction of a share of Conseco common stock to be determined based on the average price of Conseco common stock prior to its closing (it is assumed that such average price per share of Conseco common stock will be $48.00, resulting in an exchange ratio of .1354). Conseco will pay approximately $534 million in cash and issue an assumed 2.4 million shares of Conseco common stock with a value of approximately $115.7 million to acquire the CAF common stock. In addition, Conseco is expected to assume a note payable of CAF of $29.0 million and incur costs related to the CAF Merger (including contract termination, relocation, legal, accounting and other costs) of approximately $26 million.

The cost to acquire CAF is allocated as follows (dollars in millions):

Book value of assets acquired based on the assumed date of the CAF Merger (September 30, 1996)	$304.6
Notes payable of CAF assumed by Conseco at the assumed date of the CAF Merger	29.0
Increase (decrease) in CAF's net asset value to reflect estimated fair value and asset reclassifications at the assumed date of the CAF Merger:	
Actively managed fixed maturity securities	452.5
Held-to-maturity fixed maturity securities	(358.3)
Cost of policies purchased (related to the CAF Merger)	492.2
Cost of policies produced	(271.3)
Goodwill (related to the CAF Merger)	223.7
Insurance liabilities	(88.4)
Income taxes	(79.3)
Total estimated fair value adjustments	371.1
Total cost to acquire CAF	$704.7

Adjustments to the pro forma consolidated statement of operations to give effect to the CAF Merger as of January 1, 1995, are summarized below.

(32) Net investment income and net realized gains of CAF are adjusted to include the effect of adjustments to restate the amortized cost basis of fixed maturity securities to their estimated fair value.

(33) Change in policy benefits is reduced to reflect the purchase accounting adjustment made at the assumed date of the CAF Merger. Such adjustment reflects the lower discount rate used to discount amounts of expected future benefit payments to correspond to the adjustments to restate the amortized cost of fixed maturity investments to their estimated fair value.

(34) Interest expense is reduced to reflect the repayment of notes payable of CAF by Conseco at the assumed date of the CAF Merger.

(35) Interest expense is increased to reflect the increase in borrowings under Conseco's bank credit facilities used to complete the CAF Merger.

A change in interest rates of .5 percent on the additional borrowings under Conseco's bank credit facilities used to complete the CAF Merger would result in: (1) an increase (or decrease) in pro forma interest expense of $2.2 million for the nine months ended September 30, 1996; and (2) a decrease (or increase) in pro forma net income of $1.4 million for the same period.

(36) Amortization of the cost of policies produced for policies sold by CAF prior to January 1, 1995, is replaced with the amortization of the cost of policies purchased (amortized in relation to estimated premiums on the policies purchased with interest equal to the liability rate which averages 5.5 percent).

(37) Amortization of goodwill acquired in the CAF Merger is recognized over a 40-year period on a straight-line basis.

(38) Reflects the tax adjustment for the pro forma adjustments at the appropriate rate for the specific item.

(39) Common shares outstanding are increased to reflect the shares issued in the CAF Merger.

Adjustments to the pro forma consolidated balance sheet to give effect to the CAF Merger as of September 30, 1996, are summarized below.

(40) After the CAF Merger, all held-to-maturity securities are classified as actively managed fixed maturity securities consistent with the intention of the new management.

(41) CAF's fixed maturity securities are restated to estimated fair value.

(42) Cash is reduced for payments made to complete the CAF Merger.

(43) Short-term investments and notes payable of Conseco are increased for additional borrowings by Conseco to complete the CAF Merger.

(44) Cost of policies purchased reflects the estimated fair value of CAF's business in force and represents the portion of the cost to acquire CAF that is allocated to the value of the right to receive future cash flows from the acquired policies.

The 18 percent discount rate used to determine such value is the rate of return required by Conseco to invest in the business being acquired. In determining such rate of return, the following factors are considered:

- The magnitude of the risks associated with each of the actuarial assumptions used in determining the expected cash flows.

- Cost of capital available to fund the acquisition.

- The perceived likelihood of changes in insurance regulations and tax laws.

- Complexity of the acquired company.

- Prices paid (i.e., discount rates used in determining valuations) on similar blocks of business sold recently.

The value allocated to the cost of policies purchased is based on a preliminary valuation; accordingly, this allocation may be adjusted upon final determination of such value. Expected gross amortization of such value using current assumptions and accretion of interest based on an interest rate equal to the liability rate (such rate averages 5.5 percent) for each of the years in the five-year period ending September 30, 2001, are as follows (dollars in millions):

Year ending September 30,	Beginning balance	Gross amortization	Accretion of interest	Net amortization	Ending balance
1997	$492.2	$60.4	$27.1	$33.3	$458.9
1998	458.9	55.2	25.2	30.0	428.9
1999	428.9	52.2	23.6	28.6	400.3
2000	400.3	49.5	22.1	27.4	372.9
2001	372.9	46.9	20.5	26.4	346.5

(45) CAF's cost of policies produced is eliminated since such amounts are reflected in the determination of the cost of policies purchased.

(46) All of the applicable pro forma balance sheet adjustments are tax affected at the appropriate rate. In addition, deferred tax liabilities of CAF are netted against deferred tax assets of Conseco.

(47) Goodwill acquired in the CAF Merger is recognized.

(48) Additional insurance liabilities are recognized to reflect the lower discount rates used to determine the present value of future obligations, consistent with the lower yields to be earned on invested assets as a result of recognizing the fair value of fixed maturity securities.

(49) Notes payable are reduced to reflect the repayment of notes payable of CAF by Conseco at the assumed date of the CAF Merger.

(50) The prior shareholders' equity of CAF is eliminated in conjunction with the CAF Merger. Common stock and additional paid-in capital is increased by the value of Conseco common stock issued in the CAF Merger.

Transactions relating to the THI Merger

The THI Merger will be accounted for under the purchase method of accounting. Under this method, the total cost to acquire THI will be allocated to the assets and liabilities acquired based on their fair values as of the date of the THI Merger, with any excess of the total purchase cost over the fair value of the assets acquired less the fair value of the liabilities assumed recorded as goodwill. Conseco believes the THI Merger will not qualify to be accounted for under the pooling of interests method in accordance with APB No. 16 because THI was a subsidiary of another corporation within two years of the contemplated transaction. In the THI Merger, each outstanding share of THI common stock (or its equivalent) is assumed to be exchanged for a fraction of a share of Conseco common stock to be determined based on the price of Conseco common stock prior to its closing (it is assumed such average price per share of Conseco common stock will be $48.00, resulting in an exchange ratio of 1.4583 shares valued at $70.00). Conseco will issue an assumed 2.5 million shares of Conseco common stock with a value of approximately $121.7 million to acquire the THI common stock (or equivalents). Pursuant to an offer by Conseco (the "Exchange Offer"), it is assumed all of THI's convertible subordinated notes (the "THI Convertibles Notes") will be exchanged for shares of Conseco common stock based on the price of Conseco common stock prior to the THI Merger (such fully converted value being the same as the THI Convertible Notes) plus a cash premium. Using the same assumption that each share of THI will be convertible into 1.4583 shares of Conseco common stock with a value of $70.00, in aggregate, the THI Convertible Notes will be convertible into 2.2 million shares of Conseco common stock with a value of approximately $106.2 million. In addition, Conseco will pay a premium of approximately $10.0 million in conjunction with the Exchange Offer. Conseco estimates that it will incur costs related to the THI Merger (including contract termination, relocation, legal, accounting and other costs) of approximately $8.5 million.

The cost to acquire THI is allocated as follows (dollars in millions):

Book value of assets acquired based on assumed date of the THI Merger (September 30, 1996)	$174.2
THI Convertible Notes converted to Conseco common stock	50.0
Less book value of THI preferred stock	(22.8)
Increase (decrease) in THI's net asset value to reflect estimated fair value and asset reclassifications at the assumed date of the THI Merger:	
Cost of policies purchased (related to the THI Merger)	112.8
Cost of policies produced and cost of policies purchased (historical)	(39.2)
Income taxes	(25.8)
Premium paid in conjunction with the Exchange Offer	(10.0)
Premium incurred to retire THI preferred stock	(2.8)
Total estimated fair value adjustments	35.0
Total cost to acquire THI	$236.4

Adjustments to the pro forma consolidated statement of operations to give effect to the THI Merger as of January 1, 1995, are summarized below.

(51) Net investment income and net realized gains of THI are adjusted to include the effect of adjustments to restate the amortized cost basis of fixed maturity securities to their estimated fair value and the effect of the assumed sale of $83.9 million fixed maturity investments, with the proceeds used to repay $58.3 million of bank debt and redeem preferred stock with a redemption value of $25.6 million.

(52) Interest expense is reduced to reflect the repayment of bank debt of $58.3 million and the conversion of the THI Convertible Notes into Conseco common stock pursuant to the Exchange Offer. Interest expense is increased to reflect borrowings by Conseco to: (i) pay the estimated cost of the THI Merger; and (ii) pay the $10.0 million premium in conjunction with the Exchange Offer.

(53) Amortization of the cost of policies produced and the cost of policies purchased prior to the THI Merger is replaced with the amortization of the cost of policies purchased (amortized in relation to estimated premiums on the policies purchased with interest equal to the liability rate which averages 5.5 percent).

(54) Reflects the tax adjustment for the pro forma adjustments at the appropriate rate for the specific item.

(55) Common shares outstanding are increased to reflect the Conseco shares issued in the THI Merger and the conversion of the THI Convertible Notes in conjunction with the Exchange Offer.

(56) Effective October 1, 1995, THI sold its long term care business to ATC. An adjustment is made to remove the loss on the sale of the long term care business. However, the revenues, benefits and expenses related to this business prior to its sale are not eliminated, since the business is retained within the Conseco consolidated group after the ATC Merger (and previous pro forma adjustments for the ATC Merger did not include adjustments related to THI's long term care business prior to its purchase by ATC). In addition, expenses related to THI's spin-off from its parent are eliminated. Such costs include certain legal, accounting, actuarial and advisory fees.

Adjustments to the pro forma consolidated balance sheet to give effect to the THI Merger as of September 30, 1996, are summarized below.

(57) Actively managed fixed maturity securities with a carrying value of $83.9 million are assumed to be sold at the date of the THI Merger.

(58) Short-term investments are reduced for: (i) payments made to complete the THI Merger; (ii) the repayment of bank debt with a balance of $58.3 million; (iii) the redemption of preferred stock with a redemption value of $25.6 million; and (iv) the payment of the $10.0 million premium in conjunction with the Exchange Offer. Short-term investments are increased by additional borrowings by Conseco of $18.5 million to complete the THI Merger and related transactions.

(59) THI's historical cost of policies purchased is eliminated and replaced with the cost of policies purchased recognized in the THI Merger. Cost of policies purchased reflects the estimated fair value of THI's business in force and represents the portion of the cost to acquire THI that is allocated to the value of the right to receive future cash flows from the acquired policies.

The 18 percent discount rate used to determine such value is the rate of return required by Conseco to invest in the business being acquired. In determining such rate of return, the following factors are considered:

- The magnitude of the risks associated with each of the actuarial assumptions used in determining the expected cash flows.

- Cost of capital available to fund the acquisition.

- The perceived likelihood of changes in insurance regulations and tax laws.

- Complexity of the acquired company.

- Prices paid (i.e., discount rates used in determining valuations) on similar blocks of business sold recently.

The value allocated to the cost of policies purchased is based on a preliminary valuation; accordingly, this allocation may be adjusted upon final determination of such value. Expected gross amortization of such value using current assumptions and accretion of interest based on an interest rate equal to the liability rate (such rate averages 5.5 percent) for each of the years in the five-year period ending September 30, 2001, are as follows (dollars in millions):

Year ending September 30,	Beginning balance	Gross amortization	Accretion of interest	Net amortization	Ending balance
1997	$112.8	$19.2	$6.3	$12.9	$99.9
1998	99.9	15.9	5.6	10.3	89.6
1999	89.6	14.5	5.0	9.5	80.1
2000	80.1	13.3	4.4	8.9	71.2
2001	71.2	12.8	4.0	8.8	62.4

(60) THI's cost of policies produced is eliminated since such amounts are reflected in the determination of the cost of policies purchased.

(61) All of the applicable pro forma balance sheet adjustments are tax affected at the appropriate rate. Deferred tax assets are netted against deferred tax liabilities.

(62) Reinsurance receivables and insurance liabilities related to business of THI ceded to ATC are eliminated in consolidation.

(63) Notes payable are decreased to reflect: (i) the repayment of bank debt of $58.3 million; and (ii) the conversion of the THI Convertible Notes into Conseco common stock in conjunction with the Exchange Offer. In addition, notes payable are increased to reflect additional borrowings by Conseco used to complete the THI Merger and related transactions.

(64) The prior shareholders' equity of THI is eliminated in conjunction with the THI Merger. Common stock and additional paid-in capital is increased by the value of Conseco common stock issued in the THI Merger. The value of the THI Convertible Notes represents the value of the Conseco common stock which will be issued in conjunction with the Exchange Offer. Preferred stock of THI is eliminated to reflect its redemption.

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