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SECURITIES AND COMMISSION  
Washington, D.C. 20549

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

**SEC File No. 8-37563**

**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 01/01/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
StanCorp Equities, Inc.

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS:  
1100 S.W. Sixth Avenue, 10th Floor  
Portland, Oregon 97204

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT:  
Cindy J. McPike 503-321-7397

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report:  
Deloitte & Touche LLP  
111 S.W. Fifth Avenue, Suite 3900  
Portland, Oregon 97204-3642

**CHECK ONE:**

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

**PROCESSED**

**MAR 30 2004**

**THOMSON  
FINANCIAL**

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# STANCORP EQUITIES, INC.

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OATH OR AFFIRMATION

I, Marilyn R. Bishop, affirm that, to the best of my knowledge and belief, the accompanying financial statements and supplemental schedules pertaining to StanCorp Equities, Inc., for the year ended December 31, 2003, are true and correct. I further 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.

Marilyn R. Bishop, 2/3/04  
Signature

Vice President  
Title

State of: Oregon

County of: Multnomah

Sarah Colvill 02/03/2004  
Notary Public

My Commission Expires: 01/01/07



**STANCORP EQUITIES, INC.**

**(SEC I.D. NO. 8-37563)**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL SCHEDULES AS OF AND FOR  
THE YEAR ENDED DECEMBER 31, 2003  
AND INDEPENDENT AUDITORS' REPORT  
AND  
SUPPLEMENTAL REPORT  
ON INTERNAL CONTROL**

\* \* \* \* \*

**PUBLIC DOCUMENT**

(Pursuant to Rule 17a-5(e)(3) under the Securities Exchange Act of 1934)

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
StanCorp Equities, Inc.:

We have audited the accompanying statement of financial condition of StanCorp Equities, Inc. (the "Company") as of December 31, 2003, and the related statements of operations, cash flows, and changes in stockholder's equity for the year then ended, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial condition of StanCorp Equities, Inc. at December 31, 2003, 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.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules appearing on pages 8 and 9 are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. These schedules are the responsibility of the Company's management. Such schedules have been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

*Deloitte + Touche LLP*

February 24, 2004

# STANCORP EQUITIES, INC.

## STATEMENT OF FINANCIAL CONDITION DECEMBER 31, 2003

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### ASSETS

Cash and cash equivalents	\$ 69,573
Receivable from affiliates	8,291
Income taxes receivable	<u>2,244</u>
<b>TOTAL</b>	<b><u>\$ 80,108</u></b>

### LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES—Accounts payable	<u>\$ 4,000</u>
STOCKHOLDER'S EQUITY:	
Common stock: no par value, \$0.50 stated value; 1,000,000 shares authorized, 10,000 shares issued and outstanding	5,000
Additional paid-in capital	45,000
Retained earnings	<u>26,108</u>
Total stockholder's equity	<u>76,108</u>
<b>TOTAL</b>	<b><u>\$ 80,108</u></b>

See notes to financial statements.

# STANCORP EQUITIES, INC.

## STATEMENT OF OPERATIONS YEAR ENDED DECEMBER 31, 2003

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REVENUES—Interest income	<u>\$ 648</u>
EXPENSES:	
Taxes and licenses	20
Administrative overhead charges	2,000
Professional fees	<u>4,000</u>
Total expenses	<u>6,020</u>
OTHER INCOME, Net	<u>492</u>
LOSS BEFORE INCOME TAX BENEFIT	(4,880)
INCOME TAX BENEFIT	<u>(1,790)</u>
NET LOSS	<u>\$ (3,090)</u>

See notes to financial statements.

# STANCORP EQUITIES, INC.

## STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2003

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CASH FLOWS FROM OPERATING ACTIVITIES:	
Net loss	\$ (3,090)
Adjustments to reconcile net loss to net cash provided by operating activities:	
Change in:	
Other accrued liabilities	(1,000)
Accrued income taxes	431
Due to/from related parties	<u>6,209</u>
Net cash provided by operating activities	<u>2,550</u>
INCREASE IN CASH AND CASH EQUIVALENTS	2,550
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>67,023</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 69,573</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION—Cash paid during the year for:	
Income taxes	\$ -
Interest	-

See notes to financial statements.

## STANCORP EQUITIES, INC.

### STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY YEAR ENDED DECEMBER 31, 2003

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	Common Stock	Additional Paid-In Capital	Retained Earnings	Stock- holder's Equity
BALANCES, JANUARY 1, 2003	\$ 5,000	\$ 45,000	\$ 29,198	\$ 79,198
Net loss	<u>-</u>	<u>-</u>	<u>(3,090)</u>	<u>(3,090)</u>
BALANCES, DECEMBER 31, 2003	<u>\$ 5,000</u>	<u>\$ 45,000</u>	<u>\$ 26,108</u>	<u>\$ 76,108</u>

See notes to financial statements.

# STANCORP EQUITIES, INC.

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2003

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

StanCorp Equities, Inc. (the "Company") is a wholly-owned subsidiary of Standard Management, Inc. ("SMI"), which is a wholly-owned subsidiary of StanCorp Financial Group, Inc. ("StanCorp"). The Company is a licensed broker dealer.

**Basis of Presentation**—The accompanying financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America.

**Cash and Cash Equivalents** include cash and money market funds.

**Income Taxes**—For income tax purposes, the Company's operations are included in a consolidated income tax return filed by StanCorp. In accordance with StanCorp's policy, however, the Company, for financial statement purposes, computes the provision for income taxes as if it were filing a separate income tax return. The 2003 financial statements include a federal tax benefit of \$1,790. There were no temporary differences at December 31, 2003.

**Related-Party Transactions**—Standard Insurance Company, a wholly-owned subsidiary of StanCorp, provides certain managerial and administrative services for the Company. The Company recognized \$2,000 in expenses for such services in 2003. At December 31, 2003, the Company had a related-party receivable from Standard Insurance Company in the amount of \$8,291.

**Use of Estimates**—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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### 2. NET CAPITAL REQUIREMENTS

The Company is subject to the Uniform Net Capital Rule adopted by the Securities and Exchange Commission which requires the maintenance of minimum net capital of the greater of six and two-thirds percent (6-2/3%) of aggregate indebtedness or \$5,000. The Company had net capital, as defined, of \$65,573 at December 31, 2003, which was \$60,573 in excess of the required net capital. The Company's ratio of aggregate indebtedness to net capital was 0.06 to 1 at December 31, 2003.

The declaration and payment of dividends to StanCorp is subject to the discretion of the Board of Directors depending on financial condition, cash requirements, future prospects and net capital requirements. There were no paid dividends during the year.

\* \* \* \* \*

## STANCORP EQUITIES, INC.

### COMPUTATION OF NET CAPITAL FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-1 UNDER THE SECURITIES EXCHANGE ACT OF 1934 DECEMBER 31, 2003

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#### COMPUTATION OF NET CAPITAL

STOCKHOLDER'S EQUITY	\$ 76,108
LESS—Nonallowable assets	<u>(10,535)</u>
NET CAPITAL	<u>\$ 65,573</u>

#### COMPUTATION OF AGGREGATE INDEBTEDNESS

TOTAL AGGREGATE INDEBTEDNESS LIABILITIES FROM STATEMENT OF FINANCIAL CONDITION	<u>\$ 4,000</u>
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RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL	<u>0.06 to 1</u>
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#### COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

MINIMUM NET CAPITAL REQUIRED (6-2/3% of aggregate indebtedness)	<u>\$ 267</u>
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MINIMUM DOLLAR NET CAPITAL REQUIREMENT	<u>\$ 5,000</u>
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NET CAPITAL REQUIREMENT (Greater of the above two amounts)	<u>\$ 5,000</u>
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EXCESS NET CAPITAL	<u>\$ 60,573</u>
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EXCESS NET CAPITAL AT 1000% (Net capital less 10% of total aggregate indebtedness)	<u>\$ 65,173</u>
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There are no material differences between the amounts reported above and amounts reported in the Company's unaudited FOCUS Report, Part IIA, as of December 31, 2003, as amended on February 24, 2004. Therefore, no reconciliation of the two computations is deemed necessary.

## **STANCORP EQUITIES, INC.**

### **COMPUTATION FOR DETERMINATION OF RESERVE REQUIREMENTS FOR BROKERS AND DEALERS PURSUANT TO RULE 15c3-3 UNDER THE SECURITIES EXCHANGE ACT OF 1934 DECEMBER 31, 2003**

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The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, in that the Company's activities are limited to those set forth in the conditions for exemption appearing in paragraph (k)(1) of the Rule.



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February 24, 2004

StanCorp Equities, Inc.  
Portland, Oregon

In planning and performing our audit of the financial statements of StanCorp Equities, Inc. (the "Company") for the year ended December 31, 2003 (on which we have issued our report dated February 24, 2004), we considered its internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Company's internal control.

Also, as required by Rule 17a-5(g)(1) under the Securities Exchange Act of 1934, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exceptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

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 internal control and of the practices and procedures, and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (the "Commission") 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 acquisition, 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 accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods are subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices or procedures may deteriorate.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's 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 internal control components does not reduce to a relatively low level the risk that misstatements caused by 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 no matters involving the Company's internal control and its operation that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the Commission's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc., 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.

Yours truly,

*Deloitte & Touche LLP*