



UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

SEC FILE NUMBER
8-46783

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 January 1, 2004 AND ENDING December 31, 2004
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: G & W Equity Sales, Inc.

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

8902 North Meridian Street, Suite 202

(No. and Street)

Indianapolis

(City)

IN

(State)

46260-5307

(Zip Code)

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

Glenda L. Neff

317-581-1580 x 219

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Whipple & Company, PC

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

3925 River Crossing Parkway

(Address)

Indianapolis

(City)

IN

(State)

46240

(Zip Code)

CHECK ONE:

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

PROCESSED

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THOMSON
FINANCIAL

FOR OFFICIAL USE ONLY

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

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SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, Glenda L. Neff, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of G & W Equity Sales, Inc., as of December 31, 2004, 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:

Glenda L. Neff
Signature

Treasurer
Title

Keith Ann Heath
Notary Public

This report ** contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

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

G & W EQUITY SALES, INC.
Financial Statements
Years Ended December 31, 2004 and 2003

G & W EQUITY SALES, INC.

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SOMERSET CPAs, P.C.

ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

**To the Board of Directors
G & W EQUITY SALES, INC.
Indianapolis, Indiana**

We have audited the accompanying statements of financial condition of G & W EQUITY SALES, INC., as of December 31, 2004 and 2003, and the related statements of operations and retained earnings, cash flows, and changes in shareholder's equity for the years 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 audits.

We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material aspects, the financial condition of G & W EQUITY SALES, INC., as of December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.



January 19, 2005

G & W EQUITY SALES, INC.
Statements of Financial Condition
December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 97,476	\$ 25,000
Commissions receivable	220,053	201,030
Prepaid expenses	27,136	24,046
	<hr/>	<hr/>
Total Assets	\$ 344,665	\$ 250,076
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Shareholder's Equity		
Current Liabilities		
Accounts payable	\$ 119,527	\$ 120,790
	<hr/>	<hr/>
Shareholder's Equity		
Common stock	8,000	8,000
Additional paid in capital	17,000	17,000
Retained earnings	200,138	104,286
	<hr/>	<hr/>
Total Shareholder's Equity	225,138	129,286
	<hr/>	<hr/>
Total Liabilities and Shareholder's Equity	\$ 344,665	\$ 250,076
	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes.

G & W EQUITY SALES, INC.
Statements of Operations and Retained Earnings
For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues	\$ 3,455,463	\$ 3,448,570
Operating Expenses		
Sales commissions	1,218,340	1,145,241
Service fees	2,050,925	2,187,942
Education and training	839	75
Licenses and fees	42,868	44,492
Insurance	26,848	24,801
Dues and publications	0	300
Professional services	19,791	15,125
Total Operating Expenses	<u>3,359,611</u>	<u>3,417,976</u>
Net Income	95,852	30,594
Retained Earnings, Beginning of Year	<u>104,286</u>	<u>73,692</u>
Retained Earnings, End of Year	<u><u>\$ 200,138</u></u>	<u><u>\$ 104,286</u></u>

See accompanying notes.

G & W EQUITY SALES, INC.
Statements of Cash Flows
For the Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash Flows from Operating Activities		
Net income	\$ 95,852	\$ 30,594
Adjustments to reconcile net income to net cash provided by operating activities:		
(Increase) decrease in commissions receivable	(19,023)	66,054
(Increase) decrease in prepaid expenses	(3,090)	39,646
Increase (decrease) in accounts payable	(1,263)	(136,294)
Total Adjustments	<u>(23,376)</u>	<u>(30,594)</u>
Net cash provided by operating activities	<u>72,476</u>	<u>0</u>
Net Increase in Cash and Cash Equivalents	72,476	0
Cash and Cash Equivalents, Beginning of Year	<u>25,000</u>	<u>25,000</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 97,476</u></u>	<u><u>\$ 25,000</u></u>

See accompanying notes.

G & W EQUITY SALES, INC.
Notes to Financial Statements
December 31, 2004 and 2003

Note A - Nature of Operations and Summary of Significant Accounting Policies:

Nature of Operations

G & W Equity Sales, Inc. (the Company), a wholly owned subsidiary, is a limited broker-dealer and sells variable annuities, variable life insurance, mutual funds, and direct participation programs on behalf of various vendors. Its sole Office of Supervisory Jurisdiction is located in Indianapolis, Indiana. The Company has no branch offices. The Company markets its products primarily in the states located in the middle two-thirds of the United States.

The Company became registered with the Securities and Exchange Commission, effective November 22, 1993. The Company became registered with the National Association of Securities Dealers, Inc., on March 2, 1994.

The Company was registered with the Securities and Exchange Commission as a registered investment advisor, but withdrew the registration as required by law in 1997. The Company became a non-federally covered advisor at the time.

The Company became registered with the Municipal Securities Rulemaking Board on March 15, 2002, to enable the Company to be a municipal fund securities broker (529 College Savings Plans only).

Revenue Recognition

The Company recognizes revenue on its variable annuity, variable life insurance, mutual funds, and direct participation program products when the necessary policy documents have been completed by the customer as well as the premiums associated with the related products have been received by the carrier.

Method of Accounting

The Company's financial statements are presented on the accrual basis method of accounting. The Company reports its operations on the cash basis method of accounting for income tax reporting purposes.

Commissions Receivable

The Company carries its commissions receivable at invoiced amounts less an allowance for doubtful accounts. On a periodic basis, the Company evaluates its commissions receivable and establishes an allowance for doubtful accounts, based on history of past write-offs and collections and current credit conditions. The Company considers commissions receivable to be fully collectible; accordingly, no allowance for doubtful accounts is provided. The Company's policy is not to accrued interest on past due receivables.

Cash Flows

For purposes of the Statements of Cash Flows, the Company considers all highly liquid instruments purchased within three months or less of an instrument's original maturity date to be cash equivalents.

G & W EQUITY SALES, INC.
Notes to Financial Statements
December 31, 2004 and 2003

Note A - Nature of Operations and Summary of Significant Accounting Policies (Continued):

Use of Estimates

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

Note B - Common Stock:

The Company has voting stock with equal voting rights, as well as non-voting stock. All of the stock is no par value.

Effective March 31, 2003, the shareholders transferred all of their shares to a related entity with the same ownership.

The following summarizes the Company's shares of common stock at December 31, 2004 and 2003:

	<u>2004</u>		<u>2003</u>	
	<u>Voting</u>	<u>Non-Voting</u>	<u>Voting</u>	<u>Non-Voting</u>
Authorized	2,000	1,000	2,000	1,000
Issued	400	0	400	0
Outstanding	400	0	400	0

Note C - Income Taxes:

The Company, with the consent of its shareholders, has elected under the Internal Revenue Code to be an S corporation. In lieu of corporation income taxes, the shareholders are taxed on the Company's taxable income. Effective March 31, 2003, the Company became the qualified sub-chapter S corporation of another entity and will file a consolidated return with the parent company going forward. The shareholders of the parent company will still be taxed on the consolidated taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

G & W EQUITY SALES, INC.
Notes to Financial Statements
December 31, 2004 and 2003

Note D - Related Party Transactions:

The Company has a service agreement with a corporation that is related by common ownership. Under terms of the agreement, the related corporation has agreed to make available certain facilities and provide for performance of certain administrative and clerical services. The charge for such services is based upon the profitability of the Company. Service fees amounted to \$2,050,873 and \$2,187,942 for the years ended December 31, 2004 and 2003, respectively. Accounts payable includes service fees of \$52,262 and \$55,727 at December 31, 2004 and 2003, respectively.

The Company pays commissions to Registered Representatives, some of whom are also shareholders of the parent company. The Company incurred approximately \$899,120 and \$894,800 of related party commissions for the years ended December 31, 2004 and 2003, respectively. Accounts payable includes approximately \$47,121 and \$39,500 of related party commissions at December 31, 2004 and 2003, respectively.

Note E - Concentration of Credit Risk:

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and commissions receivable. The Company places its cash and cash equivalents with high credit quality institutions. At times, such amounts may be in excess of the FDIC insured limit. The Company routinely assesses the financial strength of its customers and, as a consequence, believes that its commissions receivable credit risk exposure is limited.

Note F - Statements of Changes in Liabilities Subordinated to Claims of General Creditors:

For the years ended December 31, 2004 and 2003, the Company did not have any subordinated liabilities subject to claims of general creditors. Therefore, no statements have been prepared.

Note G - Net Capital Requirements:

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of a minimum net capital balance. The minimum dollar amount for the Company is \$7,969. At December 31, 2004, the Company's net capital was \$198,002, which was \$190,033 in excess of its minimum net capital requirement.

SOMERSET CPAs, P.C.
ACCOUNTANTS AND ADVISORS

**Independent Auditors' Report
on the Supplementary Information**

**To the Board of Directors
G & W EQUITY SALES, INC.
Indianapolis, Indiana**

Our report on our audits of the 2004 and 2003 basic financial statements of G & W EQUITY SALES, INC., appears on page 1. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audits 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.



January 19, 2005

G & W EQUITY SALES, INC.
Computation of Net Capital Under Rule 15c3-1 of
the Securities and Exchange Commission
December 31, 2004

Computation of Basic Net Capital Requirement

Total Shareholder's Equity	\$ 225,138
Adjustments	(27,136)
	<u> </u>

Net Capital	\$ 198,002
	<u> </u>

Aggregate Indebtedness

Items Included in Statement of Financial Condition	
Other accounts payable and accrued expenses	\$ 119,527
Other indebtedness	0
	<u> </u>

Total Aggregate Indebtedness	\$ 119,527
	<u> </u>

Ratio: Aggregate Indebtedness to Net Capital	0.6 to 1
	<u> </u>

Reconciliation with Company's Computation (Included in Part IIA of Form X-17A-5 as of December 31, 2004)

Net Capital, as Reported in Company's Part IIA (Unaudited) FOCUS Report	\$ 225,138
Prepaid expenses	(27,136)
	<u> </u>

Net Capital per above	198,002
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Minimum Net Capital Required	7,969
	<u> </u>

Excess Net Capital	\$ 190,033
	<u> </u>

SOMERSET CPAs, P.C.

ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

**To the Board of Directors
G & W EQUITY SALES, INC.
Indianapolis, Indiana**

In planning and performing our audit of the financial statements of G & W EQUITY SALES, INC., for the year ended December 31, 2004, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g) (1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by G & W EQUITY SALES, INC., including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g), in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3-(a) (11) and the reserve required by rule 15c3-3(e). Because G & W EQUITY SALES, INC., 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 G & W EQUITY SALES INC., in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons
2. Recordation of differences required by rule 17a-13
3. 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
4. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of 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 an internal control system 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 U.S. generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

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Because of inherent limitations in internal control or 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. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that errors 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 internal control, including 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 purpose 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, 2004, to meet the SEC's objectives.

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



January 19, 2005