

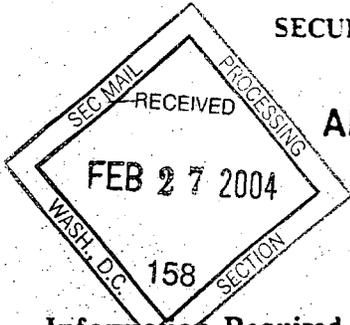
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SECURITY



MISSION

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

SEC FILE NUMBER
8- 52550

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 01/01/2003 AND ENDING 12/31/2003
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

Civilian Capital, Inc.

OFFICIAL USE ONLY
FIRM ID. NO.

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

14 North Peoria Street, Suite 7C

(No. and Street)

Chicago

Illinois

60607

(City)

(State)

(Zip Code)

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

Richard Shapiro, CPA

847/679-4552

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Mulcahy, Pauritsch, Salvador & Co., Ltd.

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

9661 West 143rd Street

Orland Park

Illinois

60462

(Address)

(City)

(State)

Zip Code)

CHECK ONE:

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

PROCESSED

MAR 29 2004

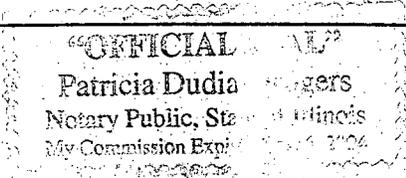
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FINANCIAL

*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).

BB

OATH OR AFFIRMATION

I, Peter S. McDonnell, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Civilian Capital, Inc., as of December 31, 2003, 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:



Peter S. McDonnell
Signature

President
Title

Patricia Dudia Reg
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 Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent Auditors' Report on Internal Control Structure.

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

CIVILIAN CAPITAL, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

CIVILIAN CAPITAL, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

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*Certified Public Accountants/
Business and Personal Consultants*

To the Board of Directors
Civilian Capital, Inc.
Chicago, Illinois

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial condition of Civilian Capital, Inc. as of December 31, 2003, and the related statements of operations, changes in shareholder's equity and cash flows for the year then ended. 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 U.S. generally accepted auditing standards. 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, the financial statements referred to above present fairly, in all material respects, the financial position of Civilian Capital, Inc. as of December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of expressing an opinion on the financial statements taken as a whole. The supplementary information on pages 8-11 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Mulcahy, Pauritsch, Salvador & Co., Ltd.

February 4, 2004
Orland Park, Illinois

CIVILIAN CAPITAL, INC.

STATEMENT OF FINANCIAL CONDITION

DECEMBER 31, 2003

ASSETS

Cash	\$	20,788
Deposit with clearing firm		21,665
Equipment:		
Trading system, less accumulated depreciation of \$145,483		35,117
Deferred income taxes		<u>152,500</u>
Total assets	\$	<u>230,070</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

Liabilities:		
Accounts payable	\$	522
Commissions payable		22,771
Due to officer		<u>5,154</u>
Total liabilities		<u>28,447</u>
Shareholder's equity:		
Common stock, no par value, 10,000 shares authorized, 1,000 shares issued and outstanding		16,667
Additional paid-in capital		433,833
Accumulated deficit		<u>(248,877)</u>
Total shareholder's equity		<u>201,623</u>
Total liabilities and shareholder's equity	\$	<u>230,070</u>

See notes to financial statements.

CIVILIAN CAPITAL, INC.
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2003

Revenues:		
Commissions	\$ 18,825	
Interest	<u>20</u>	
Total revenues		\$ 18,845
Expenses:		
Commissions and clearing fees	31,401	
Regulatory fees	43,118	
Other operating expenses	<u>69,567</u>	
Total expenses		<u>144,086</u>
Loss before income taxes		(125,241)
Deferred income tax benefit		<u>47,500</u>
Net loss		<u><u>\$ (77,741)</u></u>

See notes to financial statements.

CIVILIAN CAPITAL, INC.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

YEAR ENDED DECEMBER 31, 2003

	<u>Common Stock</u>		<u>Additional Paid-In Capital</u>	<u>Accumulated Deficit</u>
	<u>Shares</u>	<u>Amount</u>		
Balance at beginning of year	1,000	\$ 16,667	\$ 360,833	\$ (171,136)
Contributions	-	-	73,000	-
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(77,741)</u>
Balance at end of year	<u>1,000</u>	<u>\$ 16,667</u>	<u>\$ 433,833</u>	<u>\$ (248,877)</u>

See notes to financial statements.

CIVILIAN CAPITAL, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2003

Cash flows from operating activities:		
Net loss	\$	(77,741)
Adjustments to reconcile net loss to net cash used by operating activities:		
Deferred income tax benefit		(47,500)
Depreciation		60,200
Changes in operating assets and liabilities:		
Increase in deposit with clearing firm		(10,000)
Decrease in accounts payable		(5,869)
Increase in commissions payable		<u>12,557</u>
Net cash used by operating activities	\$	(68,353)
Cash flows from financing activities:		
Increase in due to officer		3,654
Contributions of additional paid-in capital		<u>73,000</u>
Net cash provided by financing activities		<u>76,654</u>
Net increase in cash		8,301
Cash at beginning of year		<u>12,487</u>
Cash at end of year	\$	<u><u>20,788</u></u>

See notes to financial statements.

CIVILIAN CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

Civilian Capital, Inc. (the Company) (an Illinois corporation) is registered as a fully disclosed, introducing broker-dealer with the Securities and Exchange Commission ("SEC"). It is a member of the National Association of Securities Dealers, Inc. ("NASD").

The Company introduces its customer business in securities to other brokers who clear and carry the customer transactions.

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Revenue Recognition

Securities transactions and related commissions and expenses are recorded on a trade date basis.

Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities with an original maturity of three months or less to be cash equivalents.

Depreciation

Equipment is stated at cost and depreciated using the straight-line method over the estimated useful life of the asset.

Income taxes

Deferred income taxes are recognized for the benefits provided by operating loss carryforwards that offset future year taxable income.

The Company has loss carryforwards of approximately \$401,000 that may be offset against future taxable income. If not used, the carryforwards will expire in various amounts beginning in 2021.

CIVILIAN CAPITAL, INC.
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2003

NOTE 2. NET CAPITAL REQUIREMENTS

The Company is a fully disclosed, introducing broker-dealer subject to the Securities and Exchange Commission's Uniform Net Capital Rule (Rule 15c3-1). Under this rule, the Company is required to maintain "minimum net capital" equivalent to \$5,000 or 6 2/3% of "aggregate indebtedness", whichever is greater, as these terms are defined. At December 31, 2003, the Company had net capital of \$14,006 which was \$9,006 in excess of its required net capital of \$5,000.

NOTE 3. CONTINGENCIES

The Company is responsible for any loss, liability, damage, cost or expense incurred or sustained by the clearing agent as a result of the failure of any introduced account to make a timely payment for securities purchased or timely and good delivery of securities sold.

NOTE 4. OFF BALANCE SHEET CREDIT AND MARKET RISK

The Company is exposed to off balance sheet risk resulting from counter party transactions in securities. Such risk arises in the event that counter parties fail to satisfy their obligation and related collateral is insufficient. Subsequent market fluctuations may require purchasing the securities sold, not yet purchased, at prices that may differ from market values reflected in the statement of financial condition. The Company monitors such risk on a daily basis.

NOTE 5. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of bank balances in excess of Federal Deposit Insurance Corporation limits.

The Company occasionally maintains bank balances in excess of federally insured limits. The Company manages this risk by maintaining its bank balances in high quality financial institutions.

NOTE 6. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2003, an officer of the Company provided office space and various administrative and operating services at no charge.

NOTE 7. CASH FLOW INFORMATION

There was no cash paid during the year for interest and income taxes.

SUPPLEMENTARY INFORMATION

CIVILIAN CAPITAL, INC.

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1
OF THE SECURITIES AND EXCHANGE COMMISSION

AS OF DECEMBER 31, 2003

Total shareholder's equity	\$ 201,623
Shareholder equity not allowable for net capital	<u>-</u>
Total shareholder's equity qualified for net capital	201,623
Deductions:	
Non-allowable assets:	
Deferred income taxes	152,500
Trading system, net	<u>35,117</u>
Net capital before haircuts on securities positions	14,006
Haircuts on securities	<u>-</u>
Net capital	14,006
Net capital requirements	<u>5,000</u>
Excess net capital	<u>\$ 9,006</u>
Total aggregate indebtedness	<u>\$ 28,447</u>
Ratio of aggregate indebtedness to net capital	<u>2.031</u>

CIVILIAN CAPITAL, INC.
EXEMPTIVE PROVISIONS UNDER RULE 15c3-3
AS OF DECEMBER 31, 2003

The Company is exempt from the provisions of Rule 15c3-3 of the Securities and Exchange Act under Section (K)(2)(B) of that rule.

To the Board of Directors
Civilian Capital, Inc.
Chicago, Illinois

**INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL**

In planning and performing our audit of the financial statements of Civilian Capital, Inc. ("Company") for the year ended December 31, 2003, we considered its internal control, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), 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 exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in 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 Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, management is required to make estimates and judgments 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 Commission's above-mentioned objectives. The objective of internal control and of the practices and procedures is 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 are recorded properly to permit 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.

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 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 internal control, including procedures for safeguarding firm assets, 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 use of management, the Securities and Exchange Commission, and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and is not intended to be and should not be used by anyone other than these specified parties.

Mulcahy, Pauritsch, Salvador & Co., Ltd.

February 4, 2004
Orland Park, Illinois