



12013773

SEC  
Mail Processing  
Section

FEB 29 2012

Washington, DC  
125

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

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

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: April 30, 2013  
Estimated average burden  
hours per response.....12.00

SEC FILE NUMBER

8-43632

REPORT FOR THE PERIOD BEGINNING 1/01/11 AND ENDING 12/31/11

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Citation Financial Group, L.P.

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

120 Broadway, 17<sup>th</sup> Floor

(No. and Street)

New York,

(City)

New York

(State)

10271

(Zip Code)

OFFICIAL USE ONLY

FIRM ID NO.

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

Mr. Richard J. Murphy

(212) 618-0900

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

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

McGLADREY & PULLEN, LLP

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

1185 Avenue of the Americas

(Address)

New York

(City)

NY

(State)

10036

(Zip Code)

CHECK ONE:

Certified Public Accountant

Public Accountant

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

FOR OFFICIAL USE ONLY

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

Potential persons who are to respond to the collection of  
information contained in this form are not required to respond  
unless the form displays a currently valid OMB control number.

KA 3/24

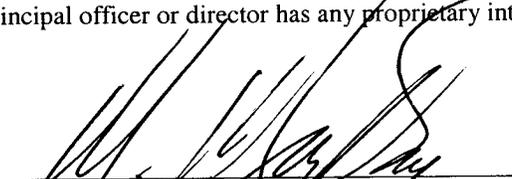
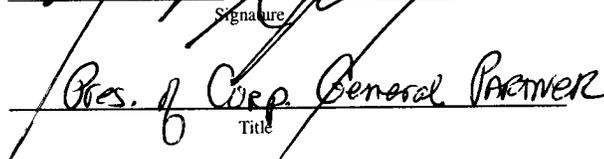
AD  
4/3

## OATH OR AFFIRMATION

I, Richard J. Murphy, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **Citation Financial Group, L.P.** as of **December 31, 2011**, 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.

KATHLEEN MILOSA  
Notary Public, State of New York  
No. 01M14907665  
Qualified in Richmond County  
Commission Expires October 13, 2013

  
Notary Public

  
Signature  
  
Title  
Pres. of Corp. General Partner

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

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Operations.
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity.
- (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. (Bound under separate cover)
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent Auditor's Report on Internal Control.

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

## Contents

---

Independent Auditor's Report	1
Financial Statement:	
Statement of Financial Condition	2
Notes to Statement of Financial Condition	3 - 4

---

# Citation Financial Group, L.P.

Statement of Financial Condition

December 31, 2011

SEC  
Mail Processing  
Section

FEB 29 2012

Washington, DC  
120

# **Citation Financial Group, L.P.**

Statement of Financial Condition

December 31, 2011

Filed as PUBLIC information pursuant to Rule 17a-5(d) under the Securities Exchange Act of 1934.



## Independent Auditor's Report

To the Partner  
Citation Financial Group, L.P.  
New York, New York

We have audited the accompanying statement of financial condition of Citation Financial Group, L.P. (the "Partnership") as of December 31, 2011 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This financial statement is the responsibility of the Partnership's management. Our responsibility is to express an opinion on this financial statement 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 statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above present fairly, in all material respects, the financial position of Citation Financial Group, L.P. as of December 31, 2011 in conformity with accounting principles generally accepted in the United States of America.

*McGladrey & Pullen, LLP*

New York, New York  
February 27, 2012

**Citation Financial Group, L.P.**

**Statement of Financial Condition  
December 31, 2011**

---

**ASSETS**

Cash	\$	40,952
Receivable From Clearing Broker		76,500
Deposit With Clearing Broker		300,000
Loans Receivable		230,406
Prepaid Expenses		<u>27,728</u>
<b>Total assets</b>	<b>\$</b>	<b><u><u>675,586</u></u></b>

**LIABILITIES AND PARTNER'S CAPITAL**

Liabilities:

Accrued employee compensation and benefits	\$	55,353
Accrued expenses and other liabilities		<u>33,586</u>

**Total liabilities** 88,939

Commitments, Contingencies and Guarantees

Partner's Capital 586,647

**Total liabilities and Partner's capital** \$ 675,586

See Notes to Statement of Financial Condition.

## Citation Financial Group, L.P.

### Notes to Statement of Financial Condition

---

#### Note 1. Organization and Summary of Significant Accounting Policies

Citation Financial Group, L.P. (the "Partnership") is a partnership formed pursuant to the laws of the State of Delaware. The Partnership is a registered broker-dealer with the Securities and Exchange Commission (the "SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA"). The Partnership deals primarily in debt securities on behalf of institutional customers and other broker-dealers and clears its transactions through a broker-dealer on a fully disclosed basis. The Partnership carries no margin accounts and does not hold funds or securities for or owe money or securities to customers.

The Partnership records transactions in securities and commission revenue and related expenses on a trade-date basis.

The Partnership holds an unrestricted cash account with one major financial institution which, at times, may exceed federally insured limits. The Partnership has not experienced any losses in such account.

The Partnership operates under the provisions of Paragraph (k)(2)(ii) of Rule 15c3-3 of the Securities Exchange Act of 1934 and, accordingly, is exempt from the remaining provisions of that rule. Essentially, the requirements of Paragraph (k)(2)(ii) provide that the Partnership clear all transactions on behalf of customers on a fully disclosed basis with a clearing broker-dealer and promptly transmit all customer funds and securities to the clearing broker-dealer. The clearing broker-dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a clearing broker-dealer.

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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

The Partnership follows accounting standards established by the Financial Accounting Standards Board (the "FASB") to ensure consistent reporting of financial condition, results of operations, and cash flows. References to generally accepted accounting principles ("GAAP") in these notes are to the FASB Accounting Standards Codification™, sometimes referred to as the "Codification" or "ASC."

The Partnership follows the provisions of FASB ASC Topic 740, which provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Partnership's tax returns to determine whether the tax positions are "more likely than not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. For the year ended December 31, 2011, management has determined that there are no uncertain tax positions. The Partnership is not subject to examination by U.S. federal, state and local tax authorities for tax years before 2008.

#### Note 2. Receivable From Clearing Broker

Receivable from clearing broker represents cash balances on deposit with the Partnership's clearing broker. The Partnership is subject to credit risk should the clearing broker be unable to pay the balance reflected on the statement of financial condition. However, the Partnership does not anticipate nonperformance by this counterparty.

**Citation Financial Group, L.P.**

**Notes to Statement of Financial Condition**

---

**Note 3. Income Taxes**

As a partnership, the Partnership is not subject to federal and state income taxes. The Partnership is subject to New York City Unincorporated Business Tax. Such amounts are included in other expenses on the accompanying statement of income.

**Note 4. Regulatory Requirements**

As a registered broker-dealer and a member of FINRA, the Partnership is subject to the Uniform Net Capital Rule 15c3-1 of the SEC, which requires the maintenance of minimum net capital of 6-2/3% of aggregate indebtedness, as defined, or \$100,000, whichever is greater. At December 31, 2011, the Partnership had net capital of \$328,513, which exceeded the minimum requirement by \$228,513. The Partnership's ratio of aggregate indebtedness to net capital at December 31, 2011 was .2707 to 1.

**Note 5. Related Party Transactions**

General Partner: The Partnership rents its main office in New York from a related entity under common management on a month-to-month basis for \$2,679 per month. The related entity also provides back office services to the Partnership at the rate of \$3,000 per month.

Loans Receivable: Loans receivable consists of a \$70,000 loan made to a majority member of the General Partner. The loan bears interest of 2% per annum. Principal and interest is payable on June 30, 2012.

Loans receivable also consists of \$160,406 in loans made to certain employees of the Partnership. The loans are payable on demand.

**Note 6. Commitments, Contingencies and Guarantees**

The Partnership is committed under noncancelable operating leases for its office space in Connecticut and Tennessee expiring between May and June 30, 2012, respectively. The total minimum future lease payment under the leases is \$28,000.

In accordance with FASB ASC 450, *Accounting for Contingencies*, the Partnership's policy regarding legal and other contingencies is to accrue a liability when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. At December 31, 2011, the Partnership is not aware of any outstanding contingencies.

**Note 7. Indemnifications**

In the normal course of business, the Partnership enters into contracts that contain a variety of representations and warranties that provide indemnifications under certain circumstances. The Partnership's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Partnership that have not yet occurred. The Partnership expects the risk of future obligation under these indemnifications to be remote.

**Note 8. Subsequent Events**

The Company has evaluated subsequent events for potential recognition and/or disclosure through the date these financial statements were issued.