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

SEC FILE NUMBER
8-65299

FACING PAGE

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

RECEIVED
FEB 29 2012
SECURITIES AND EXCHANGE COMMISSION

REPORT FOR THE PERIOD BEGINNING 1/1/11 AND ENDING 12/31/11
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: LavaFlow Inc. [REDACTED]
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY
FIRM I.D. NO.

388 Greenwich, 29th floor

(No. and Street)

New York N.Y. 10013
(City) (State) (Zip Code)

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

John McCoy 212-657-8435
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG, LLP
(Name - If individual, state last, first, middle name)

90 South Seventh Street Minneapolis MN 55402
(Address) (City) (State) (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)


SEC 1410 (06-02)

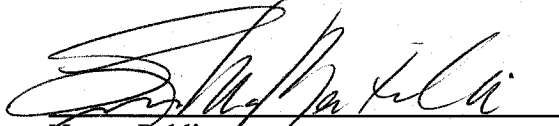
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State of New York)
) SS:
County of New York)

I do hereby affirm that to the best of my knowledge and belief, the attached financial statements as of December 31, 2011 and supplementary schedules pertaining to LavaFlow, Inc. are true and correct, and that neither the Company nor any principal officer or director has any proprietary interest in any account classified solely as that of a customer. I do hereby certify that the attached financial statements as of December 31, 2011 and supplementary schedules will promptly be made available to LavaFlow, Inc. and subsidiary members whose signatures do not appear below.


Ramsey Saliba
Chief Financial Officer


Notary Public

Subscribed and sworn to before me this 24 day of February 2012

LISA M. MARTINELLI
Notary Public, State of New York
No. 01MA6032764
Qualified in Richmond County
Commission Expires Nov. 8, 2013

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

- (a) Facing page.
- (b) Report of Independent Registered Public Accounting Firm.
- (c) Statement of Financial Condition.
- (d) Statement of Operations.
- (e) Statement of Cash Flows.
- (f) Statement of Changes in Stockholder's Equity.
- (g) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (h) Computation of Net Capital Pursuant to Rule 15c3-1.
- (i) Computation for Determination of Reserve Requirements and Computation for Determination of PAIB Reserve Requirements Under Rule 15c3-3.
- (j) Reserve Computation and Information for Possession or Control Requirements Under Rule 15c3-3.
- (k) 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.
- (l) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (m) An Oath or Affirmation.
- (n) A copy of the SIPC Supplemental Report.
- (o) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (p) Report of Independent Registered Public Accounting Firm on Internal Control Pursuant to Rule 17a-5.
- (q) Schedule of Segregation Requirements and Funds in Segregation – Customers' Regulated Commodity Futures Account Pursuant to Rule 171-5.

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

LAVAFLOW, INC.
(A wholly owned subsidiary of Citigroup Financial Products Inc.)

Statement of Financial Condition

December 31, 2011

Assets	
Cash and cash equivalents	\$ 89,167,371
Receivables from affiliates	706,361
Receivables from broker dealers and exchanges	11,573,314
Deposits with clearing organizations	4,390,000
Property, equipment and leasehold improvements, net of accumulated depreciation and amortization of \$98,754,937	5,060,683
Intangible assets, net	7,469,196
Other assets	42,309
Total assets	<u>\$ 118,409,234</u>
Liabilities and Stockholder's Equity	
Liabilities:	
Payables to affiliates	\$ 10,308,823
Accounts payable and accrued expenses	6,547,030
Total liabilities	<u>16,855,853</u>
Stockholder's equity:	
Common stock, \$0.01 par value. Authorized, issued and outstanding 1,000 shares	10
Additional paid-in capital	113,006,873
Retained earnings (deficit)	<u>(11,453,502)</u>
Total stockholder's equity	<u>101,553,381</u>
Total liabilities and stockholder's equity	<u>\$ 118,409,234</u>

See accompanying notes to financial statements.