

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

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

OMB APPROVAL	
OMB Number:	3235-0123
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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 01/01/2018 AND ENDING 12/31/2018  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Sepulveda Distributors, LLC

OFFICIAL USE ONLY

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

FIRM I.D. NO.

11100 Santa Monica Blvd, Ste 2000

(No. and Street)

Los Angeles

CA

90025

(City)

(State)

(Zip Code)

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

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

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

Ernst & Young LLP

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

725 S. Figueroa Street

Los Angeles

CA

90017

(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)

## OATH OR AFFIRMATION

I, Paul Douglas, swear ~~(or affirm)~~ that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Sepulveda Distributors, LLC, as of December 31st, 2018, 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:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

  
\_\_\_\_\_  
Signature  
Chief Compliance Officer  
\_\_\_\_\_  
Title

\_\_\_\_\_  
Notary Public

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

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
- ☐ (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 15c3-1 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.

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

**CALIFORNIA JURAT WITH AFFIANT STATEMENT**

GOVERNMENT CODE § 8202

- ☒ See Attached Document (Notary to cross out lines 1–6 below)  
☐ See Statement Below (Lines 1–6 to be completed only by document signer[s], not Notary)

1 \_\_\_\_\_  
2 \_\_\_\_\_  
3 \_\_\_\_\_  
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5 \_\_\_\_\_  
6 \_\_\_\_\_

\_\_\_\_\_  
*Signature of Document Signer No. 1*

\_\_\_\_\_  
*Signature of Document Signer No. 2 (if any)*

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of Los Angeles

Subscribed and sworn to (or affirmed) before me

on this 27th day of February, 2019,  
by                      *Date*                      *Month*                      *Year*

(1) Paul Douglas

(and (2) \_\_\_\_\_),  
*Name(s) of Signer(s)*

proved to me on the basis of satisfactory evidence to  
be the person(s) who appeared before me.



Place Notary Seal and/or Stamp Above

Signature Sarah C. Weiler  
*Signature of Notary Public*

**OPTIONAL**

*Completing this information can deter alteration of the document or  
fraudulent reattachment of this form to an unintended document.*

**Description of Attached Document**Title or Type of Document: Annual Audited Report - Sepulveda Distributors, LLCDocument Date: 01/01/18 - 12/31/18 Number of Pages: 2Signer(s) Other Than Named Above: N/A

**SEPULVEDA DISTRIBUTORS, LLC**

Financial Statements and Supplementary Information

As of and for the Year Ended December 31, 2018

(With Report of Independent Registered Public Accounting Firm Thereon)

# **SEPULVEDA DISTRIBUTORS, LLC**

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## **Report of Independent Registered Public Accounting Firm**

**The Member**  
**Sepulveda Distributors, LLC**

### **Opinion on the Financial Statements**

We have audited the accompanying statement of financial condition of Sepulveda Distributors, LLC (the Company) as of December 31, 2018, and the related statements of operations, changes in member's capital, and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2018, and the results of its operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **Supplemental Information**

The accompanying information contained in Schedules I and II has been subjected to audit procedures performed in conjunction with the audit of the Company's financial statements. Such information is the responsibility of the Company's management. Our audit procedures included determining whether the information reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information. In forming our opinion on the information, we evaluated whether such information, including its form and content, is presented in conformity with Rule 17a-5 under the Securities Exchange Act of 1934. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Ernst & Young LLP*

We have served as the Company's auditor since 2014.

February 27, 2019

**SEPULVEDA DISTRIBUTORS, LLC**

Statement of Financial Condition

As of December 31, 2018

**Assets**

Cash	\$	122,510
Prepaid expenses		45,375
Deposits		<u>4,790</u>
Total assets	\$	<u><u>172,675</u></u>

**Liabilities**

Accrued expenses	\$	38,200
Due to affiliate		<u>57,530</u>
Total liabilities		95,730

**Member's Capital**

Member's capital		<u>76,945</u>
Total member's capital		76,945

Total liabilities and member's capital	\$	<u><u>172,675</u></u>
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See accompanying notes to financial statements.



**SEPULVEDA DISTRIBUTORS, LLC**  
Statement of Operations  
For the Year Ended December 31, 2018

**Revenues**

Commissions from Member	\$	—
Total revenues		<u>—</u>

**Expenses**

Commissions	—
Audit and tax services	38,200
Regulatory fees	89,409
Taxes	800
Total expenses	<u>128,409</u>

Net loss	\$	<u><u>(128,409)</u></u>
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See accompanying notes to financial statements.



**SEPULVEDA DISTRIBUTORS, LLC**  
Statement of Changes in Member's Capital  
For the Year Ended December 31, 2018

Member's capital as of January 1, 2018	\$ 205,354
Net loss	<u>(128,409)</u>
Member's capital as of December 31, 2018	<u><u>\$ 76,945</u></u>

See accompanying notes to financial statements.

**SEPULVEDA DISTRIBUTORS, LLC**  
Statement of Cash Flows  
For the Year Ended December 31, 2018

Net loss	\$ (128,409)
Adjustments to reconcile net loss to net cash used in operating activities:	
Increase in prepaid expenses	(1,001)
Increase in deposits	(343)
Increase in accrued expenses	7,600
Increase in due to affiliate	56,445
Net cash used in operating activities	<u>(65,708)</u>
Net decrease in cash	<u>(65,708)</u>
Cash as of the beginning of the year	<u>188,218</u>
Cash as of the end of the year	<u><u>\$ 122,510</u></u>

See accompanying notes to financial statements.

**SEPULVEDA DISTRIBUTORS, LLC**  
Notes to Financial Statements

**(1) Organization and Nature of Business**

Sepulveda Distributors, LLC (the “Company”) is a Delaware limited liability company formed on November 15, 2012 with the U.S. Securities and Exchange Commission (the “SEC”) and has been a member of the Financial Industry Regulatory Authority (“FINRA”) since April 29, 2014. The Company is engaged in a single line of business as a securities broker-dealer.

The Company is 100% owned by Crescent Capital Group, L.P. (the “Member”). The Member is registered as an investment adviser under the Advisers Act of 1940 as amended. The Member is 99.8% owned by Crescent Capital Group Holdings, LP (“CCG Holdings”), a Delaware limited partnership.

**(2) Summary of Significant Accounting Policies**

**(a) Basis of Presentation**

The Company’s financial statements are prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”).

**(b) Cash**

The Company maintains its cash in a bank deposit account, which at times may exceed the federally insured limits. No losses have been experienced to date related to such account. The Company monitors the financial condition of the financial institution and does not anticipate any losses due to its exposure.

**(c) Deposits**

The Company maintains a FINRA Flex-Funding Account. This account is used to pay invoices and fees formerly paid through the Web CRD system. As of December 31, 2018, the balance in the account is \$4,790.

**(d) Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP 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.

**(e) Income Taxes**

As a limited liability company, the Company is generally not subject to income taxes; rather its net income and losses are passed through directly to the Member for inclusion in its taxable income or loss. Accordingly, no provision for federal and state income taxes has been made in the accompanying financial statements.

The Company reviews and evaluates tax positions in its major jurisdictions and determines whether or not there are uncertain tax positions that require financial statement recognition. The Company is subject to examination by state tax authorities for returns filed since inception.

**SEPULVEDA DISTRIBUTORS, LLC**  
Notes to Financial Statements

The Company recognizes interest and penalties, if any, related to unrecognized tax benefits as an income tax expense in the Statement of Operations. For the year ended December 31, 2018, the Company did not have a liability for any unrecognized tax benefits nor did it recognize any interest and penalties related to unrecognized tax benefits.

**(f) *Prepaid Expenses***

Prepaid expenses consist of prepaid regulatory and registration fees.

**(3) Related Party Transactions**

**(a) *Due to Affiliate***

Amount due to affiliate of \$57,530 relates to monies owed to the Member for expenses paid on behalf of the Company.

**(b) *Expense Sharing Agreement***

The Company and Member entered into an expense sharing agreement in December 2013, which was amended and restated on May 27, 2015, whereas the Member agreed to make available office space, office equipment, administrative support and personnel to the Company. The Member is solely responsible for the payment of any expenses incurred and those expenses are reflected in the Member's consolidated financial statements. The Company maintains a separate schedule of the allocable costs of the services.

**(c) *Commissions Expense***

The Member may enter into an employment agreement whereby the Company may make payments of bonus commissions on behalf of the Member. The Company did not incur any commission expense for the year ended December 31, 2018.

**(d) *Commissions from Member***

The Company charges the Member a fee equal to 100% of the commission expense. The Company did not earn any commission from the Member for the year ended December 31, 2018.

**SEPULVEDA DISTRIBUTORS, LLC**  
Notes to Financial Statements

**(4) Net Capital Requirements**

The Company is subject to the SEC Uniform Net Capital Rule ("SEC Rule 15c3-1"), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined in SEC Rule 15c3-1, shall not exceed 15 to 1 (and the rule of the "applicable" exchange also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital percentage would exceed 10 to 1). As of December 31, 2018, the Company had net capital of \$26,780.

	December 31, 2018
Net capital as a percent of aggregate indebtedness to net capital:	357.47%
Net capital	\$ 26,780
Less: required net capital	(6,382)
Excess net capital	<u>\$ 20,398</u>

**(5) Subsequent Events**

Management has evaluated the activity of the Company through February 27, 2019, the date that the financial statements are available to be issued, and concluded that no further subsequent events have occurred that would require recognition or disclosure.

**SUPPLEMENTAL SCHEDULES I TO II**

**SEPULVEDA DISTRIBUTORS, LLC**  
**Supplementary Schedule I**  
**Computation of Net Capital Under Rule 15c3-1 of the**  
**Securities and Exchange Commission**  
**As of December 31, 2018**

1. Total ownership equity from Statement of Financial Condition	\$ 76,945
2. Deduct ownership equity not allowable for Net Capital	—
3. Total ownership equity qualified for Net Capital	76,945
4. Add:	
A. Liabilities subordinated to claims of general creditors allowable in computation of net capital	—
B. Other (deductions) or allowable credits (List)	—
5. Total capital and allowable subordinated liabilities	\$ 76,945
6. Deductions and/or charges:	
A. Total non-allowable assets from Statement of Financial Condition	50,165
B. Secured demand note delinquency	—
C. Commodity futures contracts and spot commodities – proprietary capital charges	—
D. Other deductions and/or charges	(50,165)
7. Other additions and/or allowable credits (List)	—
8. Net capital before haircuts on securities positions	26,780
9. Haircuts on securities (computed, where applicable, pursuant to 15c3-1(f)):	
A. Contractual securities commitments	—
B. Subordinated securities borrowings	—
C. Trading and investment securities:	
1. Exempted securities	—
2. Debt securities	—
3. Options	—
4. Other securities	—
D. Undue Concentration	—
E. Other (List)	—
10. Net Capital	<u>\$ 26,780</u>

**COMPUTATION OF NET CAPITAL REQUIREMENT**

**Part A**

11. Minimum net capital required (6 2/3 % of line 19)	\$ 6,382
12. Minimum dollar net capital requirement of reporting broker or dealer and minimum net capital requirement of subsidiaries computed in accordance with Note (A)	5,000
13. Net capital requirement (greater of line 11 or 12)	6,382
14. Excess net capital (line 10 less 13)	20,398
15. Net capital less greater of 10% of line 19 or 120% of line 12	17,207

**COMPUTATION OF AGGREGATE INDEBTEDNESS**

16. Total A.I. liabilities from Statement of Financial Condition	95,730
17. Add:	
A. Drafts for immediate credit	—
B. Market value of securities borrowed for which no equivalent value is paid or credited	—
C. Other unrecorded amounts (List)	—
19. Total aggregate indebtedness	\$ 95,730
20. Percentage of aggregate indebtedness to net capital (line 18 ÷ by line 10)	357.47%
21. Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d)	0.0%

There are no material differences between the computation of net capital presented above and the computation of net capital in the company's unaudited Form X-17A-5, Part IIA filing as of December 31, 2018.



**SEPULVEDA DISTRIBUTORS, LLC**

**Supplementary Schedule II**

**Computation for Determination of Reserve Requirements and Information Relating to  
Possession and Control Requirements under Rule 15c3-3 of the Securities and Exchange Commission  
As of December 31, 2018**

The company is exempt from Securities and Exchange Commission ("SEC") Rule 15c3-3 pursuant to the exemptive provisions of sub-paragraph (k)(2)(i) and, therefore, is not required to maintain a "Special Reserve Bank Account for the Exclusive Benefit of Customers."



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## **Report of Independent Registered Public Accounting Firm**

The Member  
Sepulveda Distributors, LLC

We have reviewed management's statements, included in the accompanying Exemption Report, in which (1) Sepulveda Distributors, LLC (the Company) identified the following provisions of 17 C.F.R. § 15c3-3(k) under which the Company claimed an exemption from 17 C.F.R. § 240.15c3-3: (k)(2)(i) (the "exemption provision") and (2) the Company stated that it met the identified exemption provision throughout the most recent fiscal year ended December 31, 2018 without exception. Management is responsible for compliance with the exemption provision and its statements.

Our review was conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States) and, accordingly, included inquiries and other required procedures to obtain evidence about the Company's compliance with the exemption provisions. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on management's statements. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to management's statements referred to above for them to be fairly stated, in all material respects, based on the provisions set forth in paragraph (k)(2)(i) of Rule 15c3-3 under the Securities Exchange Act of 1934.

This report is intended solely for the information and use of management, the SEC, FINRA, and other regulatory agencies that rely on Rule 17a-5 under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and other recipients specified by Rule 17a-5(d)(6) and is not intended to be and should not be used by anyone other than these specified parties.

*Ernst & Young LLP*

February 27, 2019

**SEPULVEDA DISTRIBUTORS, LLC**  
Exemption Report

Sepulveda Distributors, LLC (the "Company") is a registered broker-dealer subject to Rule 17a-5 promulgated by the Securities and Exchange Commission (17 C.F.R. §240.17a-5, "Reports to be made by certain brokers and dealers"). This Exemption Report was prepared as required by 17 C.F.R. § 240.17a-5(d)(1) and (4). To the best of its knowledge and belief, the Company states the following:

(1) The Company claimed an exemption from 17 C.F.R. § 240.15c3-3 under the following provisions of 17 C.F.R. § 240.15c3-3 (k)(2)(i).

(2) The Company met the identified exemption provisions in 17 C.F.R. § 240.15c3-3(k) throughout the most recent fiscal year ended December 31, 2018 without exception.

Sepulveda Distributors, LLC

I, Paul Douglas, swear (~~or affirm~~) that, to my best knowledge and belief, this Exemption Report is true and correct.

By: 

Title: Chief Compliance Officer

February 27, 2019

**CALIFORNIA JURAT WITH AFFIANT STATEMENT**

GOVERNMENT CODE § 8202

- ☒ See Attached Document (Notary to cross out lines 1–6 below)  
☐ See Statement Below (Lines 1–6 to be completed only by document signer[s], not Notary)

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\_\_\_\_\_  
*Signature of Document Signer No. 1*

\_\_\_\_\_  
*Signature of Document Signer No. 2 (if any)*

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of Los Angeles

Subscribed and sworn to (or affirmed) before me

on this 27th day of February, 2019,  
by Paul Douglas  
*Date Month Year*(1) Paul Douglas(and (2) \_\_\_\_\_),  
*Name(s) of Signer(s)*proved to me on the basis of satisfactory evidence to  
be the person(s) who appeared before me.

Place Notary Seal and/or Stamp Above

Signature Sarah C. Weiler  
*Signature of Notary Public***OPTIONAL**

*Completing this information can deter alteration of the document or  
fraudulent reattachment of this form to an unintended document.*

**Description of Attached Document**Title or Type of Document: Sepulveda Distributors, LLC Exemption ReportDocument Date: February 27, 2019 Number of Pages: 1Signer(s) Other Than Named Above: N/A