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

SEC FILE NUMBER  
8-69595

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 01/01/17 AND ENDING 12/31/17  
MM/DD/YY MM/DD/YY

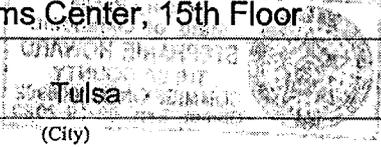
**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **Caval Hill Distributors Inc**

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

**One Williams Center, 15th Floor**



(No. and Street)

**Oklahoma**

**74172**

(City)

(State)

(Zip Code)

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

Craig Swanson 918-295-0550

(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)

**One Williams Center, Suite 1700 Tulsa**

**Oklahoma**

**74172**

(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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OATH OR AFFIRMATION

I, Craig Swanson, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Cavanal Hill Distributors Inc, as of December 31, 2017, 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:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Craig Swanson  
Signature  
CFO  
Title

[Signature]  
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 15c3-1 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).

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

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Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/17 AND ENDING 12/31/17  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **Cavanal Hill Distributors Inc**

OFFICIAL USE ONLY  
FIRM I.D. NO.

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

**One Williams Center, 15th Floor**

(No. and Street)

**Tulsa**

**Oklahoma**

**74172**

(City)

(State)

(Zip Code)

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

**Craig Swanson 918-295-0550**

(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)

**One Williams Center, Suite 1700 Tulsa**

**Oklahoma**

**74172**

(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)

FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION

CAVANAL HILL DISTRIBUTORS, INC.  
Year Ended December 31, 2017  
With Reports of Independent  
Registered Public Accounting Firm

# **Cavanal Hill Distributors, Inc.**

## **Financial Statements and Supplemental Information As of and for the Year Ended December 31, 2017**

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Ernst & Young LLP  
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Tulsa, OK 74172-0117

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Fax: +1 918 560 3691  
ey.com

## Report of Independent Registered Public Accounting Firm

To the Board of Directors  
Caval Hill Distributors, Inc.  
**Opinion on the Financial Statements**

We have audited the accompanying statement of financial condition of Caval Hill Distributors, Inc. (the Company), as of December 31, 2017, and the related statement of net income, changes in stockholder's equity, 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, 2017, 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 these 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.



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working world

## Supplemental Information

The accompanying information contained in Schedules I, II and III 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 2016

February 28, 2018

## Caval Hill Distributors, Inc.

### Statement of Financial Condition

December 31, 2017

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#### Assets

Cash and cash equivalents	\$	1,929,167
Receivable from mutual fund		333,059
Prepaid expenses and other assets		116,356
Deferred tax asset		8,954
<b>Total assets</b>	<b>\$</b>	<b>2,387,536</b>

#### Liabilities and stockholder's equity

Payable to affiliate	\$	378,934
Accrued operating expenses		46,871
Payable to broker/dealer		22,201
Current income tax payable to Parent		11,387
<b>Total liabilities</b>		<b>459,393</b>

#### Stockholder's equity:

Common stock, \$1 par value – 1,000 shares authorized and issued		1,000
Additional paid-in capital		5,394,155
Retained deficit		(3,467,012)
<b>Total stockholder's equity</b>		<b>1,928,143</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$</b>	<b>2,387,536</b>

*See accompanying notes.*

## Caval Hill Distributors, Inc.

### Statement of Operations

Year Ended December 31, 2017

<b>Revenues</b>	
Funds distribution fee	\$ 3,862,995
Interest income	12,397
<b>Total operating revenues</b>	<b>3,875,392</b>
<b>Expenses</b>	
Broker commission expense	3,854,893
Personnel expense	1,555,635
Business promotion	550,318
Professional fees	264,253
Affiliate allocated expenses	182,591
Administrative expense	67,806
Data processing	49,052
Brokerage licensing and registration	41,000
Other	1,181
<b>Total operating expenses</b>	<b>6,566,729</b>
Net loss before taxes	(2,691,337)
Income tax benefit	(1,025,009)
<b>Net loss</b>	<b>\$ (1,666,328)</b>

*See accompanying notes.*

## Caval Hill Distributors, Inc.

### Statement of Changes in Stockholder's Equity Year Ended December 31, 2017

	Common Stock		Additional		
	Shares	Par Value	Paid-in Capital	Retained Deficit	Total
Balance January 1, 2017	1,000	\$ 1,000	\$ 3,509,000	\$ (1,800,684)	\$ 1,709,316
Net loss	—	—	—	(1,666,328)	(1,666,328)
Capital contribution	—	—	1,850,000	—	1,850,000
Capital provided by stock-based compensation	—	—	35,155	—	35,155
Balance, December 31, 2017	1,000	\$ 1,000	\$ 5,394,155	\$ (3,467,012)	\$ 1,928,143

*See accompanying notes.*

## Cavanal Hill Distributors, Inc.

### Statement of Cash Flows Year Ended December 31, 2017

<b>Operating activities</b>		
Net loss	\$ (1,666,328)	
Share-based compensation	35,155	
Deferred income taxes	(21,138)	
Loss on disposal of fixed assets	555	
Adjustments to reconcile net loss to net cash used in operating activities:		
(Increase) decrease in operating assets:		
Receivable from mutual fund	(333,059)	
Prepaid expenses and other assets	(84,856)	
Receivables from employees	118	
Increase (decrease) in operating liabilities:		
Payable to affiliate	335,118	
Accrued operating expenses	(32,586)	
Payable to broker/dealer	22,201	
Current income tax payable to Parent	11,387	
Net cash used in operating activities	(1,733,433)	
<b>Financing activities</b>		
Capital contribution	1,850,000	
Net cash provided by financing activities	1,850,000	
Net increase in cash and cash equivalents		116,567
Cash and cash equivalents at beginning of year		1,812,600
Cash and cash equivalents at end of year		\$ 1,929,167

See accompanying notes.

# **Caval Hill Distributors, Inc.**

## **Notes to Financial Statements**

**As of and for the Year Ended December 31, 2017**

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### **1. Organization and Description of Business**

Caval Hill Distributors, Inc. ("CHD" or "the Company"), a wholly owned subsidiary of BOK Financial Corporation ("the Parent"), is a registered broker/dealer with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority ("FINRA") effective August 9, 2016. CHD is licensed as a broker/dealer engaged solely as a mutual fund distributor and underwriter for Caval Hill Funds, a diversified, open-ended investment company established as a business trust under the Investment Company Act of 1940 (the "1940 Act"). The Company operates under provisions of paragraph (k)(1) of Rule 15c3-3 of the Securities Exchange Act of 1934, and accordingly claims exemption from the remaining provisions of the Rule. We are not required to maintain a "Special Account for the Exclusive Benefit of Customers".

BOKF, NA, a wholly owned subsidiary of the Parent is custodian, administrator and investment adviser for the Caval Hill Funds. CHD's Parent is a financial holding company, authorized to conduct the full range of activities permitted under Section 4(k) of the US Bank Holding Company Act.

### **2. Significant Accounting Policies**

#### **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Management believes that the estimates utilized in preparing the financial statements are reasonable and prudent. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

Cash and cash equivalents includes bank deposit accounts and money market funds. As of December 31, 2017, cash and cash equivalents includes \$1,567,634 in a money market fund sponsored by an unrelated global investment bank and \$361,533 is on deposit with BOKF, NA, an affiliated bank. Interest revenue is recorded as earned.

#### **Prepaid Expenses**

Prepaid expenses include advances to the Caval Hill transfer agent to facilitate payment of broker dealer commissions (12b-1 fees) and other expenses.

#### **Revenue Recognition**

The Company earns revenue by providing services to the Caval Hill Funds as described in the Distribution and Shareholder Services Plan. Revenue is collected monthly in arrears based on daily average net asset balances.

#### **Broker Commission Expense**

The Company pays amounts to qualified members of the selling group as defined in the Selling Group Member Agreement. Amounts due under the agreement are paid in arrears based upon average net asset balances held by the selling group member's customers.

## Newly Adopted and Pending Accounting Pronouncements

### FASB Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09")

On May 28, 2014, the FASB issued ASU 2014-09 to clarify the principles for recognizing revenue by providing a more robust framework that will give greater consistency and comparability in revenue recognition practices. In the new framework, an entity recognizes revenue in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods or services. The new model requires the identification of performance obligations included in contracts with customers, a determination of the transaction price and an allocation of the price to those performance obligations. Interest income is excluded from the scope of ASU 2014-09. The entity recognizes revenue when performance obligations are satisfied. ASU 2014-09 was effective for the Company for the Company on January 1, 2018. There were no significant adjustments as a result of implementation as the Company's current revenue recognition policies generally conform with the principals in the standard.

### FASB Accounting Standards Update No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net) ("ASU 2016-08")

On March 17, 2016, the FASB Issued ASU 2016-08 to amend the principal versus agent implementation guidance in ASU 2014-09. The ASU clarifies that an entity should evaluate whether it is the principal or the agent for each specified good or service promised in a contract with a customer. ASU 2016-08 was effective for the Company for the Company on January 1, 2018. There were no significant adjustments as the result of implementation of ASU 2016-08 on January 1, 2018.

## 3. Net Capital Requirements

CHD is subject to the SEC Uniform Net Capital Rule ("SEC Rule 15c3-1"), which requires the maintenance of a minimum net capital, as therein defined, and requires that the ratio of aggregate indebtedness, defined as total money liabilities of a broker/dealer arising in connection with any transaction subject to certain exclusions, to net capital, shall not exceed 15 to 1 (or 1500%).

At December 31, 2017, CHD's net capital position was as follows:

Net capital, as defined	\$	1,635,966
Net capital required		30,626
Excess capital	\$	1,605,340
Net capital ratio***		28.08%

\*\*\*The net capital ratio is calculated as aggregate indebtedness, as defined, divided by net capital.

CHD does not carry its own customer accounts.

#### **4. Related-Party Transactions**

At December 31, 2017, payable to affiliate of \$378,934 consisted of \$310,858 of fees collected from the Cavanal Hill Funds and payable to BOKF, NA and \$68,076 for intercompany settlement of certain operating expenses paid by BOKF, NA on behalf of CHD. CHD's financial obligations to BOKF, NA are guaranteed by a pledge of cash collateral by the Parent.

Current income taxes payable to Parent, net of \$11,387 included receivables of \$45,459 for federal income taxes offset by \$56,846 of payables for state income taxes. CHD is included in the consolidated income tax return filed by the Parent. Pursuant to a tax sharing agreement between CHD and the Parent, income taxes are allocated to CHD on a separate return basis. The amount of current income tax expense or benefit is either remitted to or received from the Parent.

CHD affiliate expenses are paid to third parties by BOKF, NA. In 2017, CHD incurred \$182,591 of general and administrative expenses allocated to CHD by, and reimbursable to, BOKF, NA. Of this, internal audit costs were \$50,388, occupancy costs were \$20,133, technology & communication costs were \$78,632, human resources were \$30,398 and other expenses were \$3,040. In addition, \$3,611,729 of Broker commission expense was paid to BOKF, NA.

BOK Financial's board has approved ongoing capital contributions to cover expenses of CHD Inc.

#### **5. Commitments and Contingencies**

In the ordinary course of business, CHD is subject to legal actions and complaints. Management believes, based upon the opinion of counsel, that actions and liability or loss, if any, resulting from the final outcomes of any such actions and complaints will not have a material effect on the Company's financial condition, results of operations or cash flows.

#### **6. Income Taxes**

The Tax Cuts and Jobs Act (the "Act"), which was enacted on December 22, 2017, reduces the federal corporate tax rate from 35% to 21% for periods beginning January 1, 2018. Provisions of the Act are broad and complex. As a result, we are still evaluating the impact that certain aspects of the Act will have on the Company's financial position and results of operations, including recognition and measurement of deferred tax assets and liabilities and the determination of effective current and deferred federal and state income tax rates. A provisional adjustment of \$4,643 was required for the Act's impact.

We are not aware of any material areas where we were not able to determine provisional amounts. However, accounting for income tax effect of the Act is still in process and provisional adjustments may be required as a result of our ongoing evaluation, including subsequent guidance provided by federal and state taxing authorities and other information as it becomes available.

The deferred tax asset of \$8,954 at December 31, 2017 relates to share based compensation. As a result of the Act, the deferred tax balances for 2017 have generally been revalued from the combined federal and state statutory rate of 38.9% to 25.5%. A valuation allowance is provided when it is more likely than not that some portion of the entire deferred tax asset may not be realized. No valuation allowance was required at December 31, 2017.

The reconciliation of the income tax provision computed at the U.S. federal statutory tax rate to the income tax expense (benefit), for the year ended December 31, 2017 is as follows:

	Amount	Percent
Federal statutory tax	\$ (941,968)	35 %
State income tax, net of federal tax benefit	(97,608)	4 %
Meals and entertainment	21,829	(1)%
Revaluation of deferred taxes due to change in federal tax rates	4,643	— %
Other, net	(11,905)	— %
<b>Total income tax benefit</b>	<b>\$ (1,025,009)</b>	<b>38 %</b>

The significant components of the income tax provision for the year ended December 31, 2017, were as follows:

<b>Current:</b>	
Federal	\$ (857,477)
State	(146,394)
<b>Total current</b>	<b>(1,003,871)</b>
<b>Deferred:</b>	
Federal	(18,407)
State	(2,731)
<b>Total deferred</b>	<b>(21,138)</b>
<b>Total income tax benefit</b>	<b>\$ (1,025,009)</b>

Based on the provisions of Accounting Standards Codification (ASC) 740, *Income Taxes*, regarding uncertain tax positions (formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*) at December 31, 2017 there were no unrecognized tax benefits recorded. If unrecognized tax benefits were recorded, the related interest and penalties would be recorded in income tax expense.

Federal statute remains open for federal tax returns filed in the previous three reporting periods. Various state income tax statutes remain open for the previous three to six reporting periods.

## 7. Employee Benefits

CHD employees who meet certain service requirements may participate in a defined-contribution thrift plan sponsored by BOKF. Employee contributions are matched by CHD equal to 6% of base compensation as defined in the plan. CHD matching contribution rates range from 50% for employees with less than four years of service to 200% for employees with 15 or more years of service. Participants may direct investments in their account to a variety of options, including the Parent's common stock fund or Cavanal Hill Funds. Employer contributions invested in accordance with the participant's investment options vest over five years. CHD incurred total expenses of \$36,959 included in the allocation of personnel expense from these plans in 2017.

CHD's employees may also be awarded share-based compensation through BOKF's various share-based compensation plans, primarily in the form of non-vested common shares of the Parent. Grant date fair value of non-vested shares is based on the then-current market value of the Parent's common stock. Non-vested shares generally vest in three years and are subject to a two year holding period after vesting. Compensation cost is recognized as expense over the service period, which is generally the vesting period. Expense is reduced for estimated forfeitures over the vesting period and adjusted for actual forfeitures as they occur. In 2017, the Parent allocated \$35,155 of share-based compensation expense to CHD, which is included in personnel expense.

## **8. Subsequent Events**

CHD has evaluated events from the date of the financial statements on December 31, 2017, through the issuance of those financial statements on February 28, 2018. On February 1, 2018, BOK Financial Corporation made a \$300,000 capital contribution in cash to CHD.

## Supplemental Information

**Cavanal Hill Distributors, Inc.****Computation of Net Capital Pursuant to Rule 15c3-1  
Year Ended December 31, 2017**

<b>Net capital</b>	
Stockholder's equity	\$ 1,928,143
<b>Total ownership equity qualified for net capital</b>	<b>1,928,143</b>
<b>Non-allowable assets:</b>	
Deferred tax asset	8,954
Prepaid expenses and other assets	116,356
<b>Total non-allowable assets</b>	<b>125,310</b>
Other deductions or charges	135,514
<b>Net capital before haircuts</b>	<b>1,667,319</b>
Regulatory haircuts on certain cash equivalents	31,353
<b>Net capital</b>	<b>\$ 1,635,966</b>
<b>Computation of basic net capital requirement</b>	
Minimum net capital required (1/15 of aggregate indebtedness)	\$ 30,626
Minimum dollar net capital requirement	\$ 5,000
<b>Net capital requirement</b>	<b>\$ 30,626</b>
<b>Excess net capital</b>	<b>\$ 1,605,340</b>
<b>Computation of aggregate indebtedness</b>	
Total aggregate indebtedness	\$ 459,394
Deduct adjustment based on deposits in Special Reserve Bank Accounts (15c3-1(c)(1)(vii))	—
<b>Total aggregate indebtedness</b>	<b>\$ 459,394</b>
<b>Percentage of aggregate indebtedness to net capital</b>	<b>28.08%</b>

CHD does not carry its own customer accounts.

There are no material differences between the Company's computation included in this report and the corresponding schedule included in the Company's revised and unaudited December 31, 2017, Part II FOCUS report.

*See accompanying Report of Independent Registered Public Accounting Firm.*

**Cavanal Hill Distributors, Inc.**

**Computation for Determination of Reserve Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission  
Year Ended December 31, 2017**

---

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, pursuant to paragraph (k)(1) of the rule.

CHD does not carry its own customer accounts.

There are no material differences between the Company's computation included in this report and the corresponding schedule included in the Company's revised and unaudited December 31, 2017, Part II FOCUS report.

*See accompanying Report of Independent Registered Public Accounting Firm.*

**Cavanal Hill Distributors, Inc.**

**Information Relating to Possession or Control Requirements  
Under Rule 15c3-3 of the Securities and Exchange Commission  
Year Ended December 31, 2017**

---

The Company is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934, pursuant to paragraph (k)(1) of the rule.

There are no material differences between the Company's computation included in this report and the corresponding schedule included in the Company's revised and unaudited December 31, 2017, Part II FOCUS report.

*See accompanying Report of Independent Registered Public Accounting Firm.*

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Washington DC  
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Cavanal Hill Distributors, Inc.

Exemption Report

For the Fiscal Period from January 01, 2017 through  
December 31, 2017

With Report of Independent Registered Public Accounting  
Firm



Building a better  
working world

Ernst & Young LLP  
1700 One Williams Center  
Tulsa, OK 74172-0117

Tel: +1 918 560 3600  
Fax: +1 918 560 3691  
ey.com

## Report of Independent Registered Public Accounting Firm

The Board of Directors and Management  
Cavanal Hill Distributors, Inc.

We have reviewed management's statements, included in the accompanying Cavanal Hill Distributors, Inc.'s Exemption Report, in which (1) Cavanal Hill Distributors, Inc. (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)(1) (the "exemption provision") and (2) the Company stated that it met the identified exemption provision for the period from January 1, 2017 through December 31, 2017 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)(1) of Rule 15c3-3 under the Securities Exchange Act of 1934.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the Financial Industry Regulatory Authority, 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 28, 2018

## Cavanal Hill Distributors, Inc.'s Exemption Report

Cavanal Hill Distributors, Inc. (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:

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)(1) at December 31, 2017.

The Company met the identified exemption provisions in C.F.R. §240.15c3-3(k)(1) for the period from January 01, 2017 through December 31, 2017 without exception.

Cavanal Hill Distributors, Inc.

I, Craig Swanson, swear that, to my best knowledge and belief, this Exemption Report is true and correct.

Signed: Craig Swanson

Title: Chief Financial Officer

Date: February 28, 2018