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U.S. 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

**SEC FILE NO**  
8-48842

REPORT FOR THE PERIOD BEGINNING 01/01/13 AND ENDING 12/31/13  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:

Guggenheim Funds Distributors, LLC

Official Use Only  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS:  
(Do not use P.O. Box No.)  
2455 Corporate West Drive

Lisle (City) (No. and Street) IL (State) 60532 (Zip Code)

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

Abbey Helmetag (630)-577-2258  
(Area Code - Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*  
(Name - if individual, state last, first, middle name)

KPMG LLP

200 E. Randolph St. Chicago IL 60601  
(ADDRESS) Number and Street City State Zip Code

CHECK ONE:

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

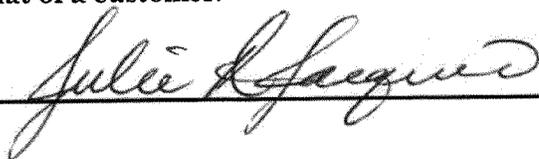
FOR OFFICIAL USE ONLY

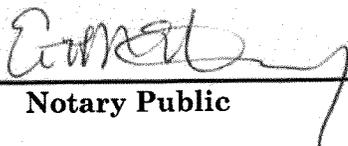
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

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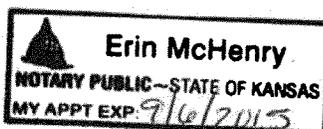
## OATH OR AFFIRMATION

I, Julie Jacques swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of Guggenheim Funds Distributors, LLC. as of December 31, 2013, 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.

  
\_\_\_\_\_

  
\_\_\_\_\_

Notary Public



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

- |                                     |  |
|-------------------------------------|--|
| <input checked="" type="checkbox"/> | (a) Facing Page  |
| <input checked="" type="checkbox"/> | (b) Statement of Financial Condition   |
| <input type="checkbox"/>            | (c) Statement of Income  |
| <input type="checkbox"/>            | (d) Statement of Cash Flows  |
| <input type="checkbox"/>            | (e) Statement of Changes in Stockholder's Equity of Partners' or Sole Proprietor's Capital   |
| <input type="checkbox"/>            | (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors  |
| <input type="checkbox"/>            | (g) Computation of Net Capital   |
| <input type="checkbox"/>            | (h) Computation for Determination of Reserve Requirement Pursuant to Rule 15c3-3   |
| <input type="checkbox"/>            | (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3   |
| <input type="checkbox"/>            | (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 Rule 15c3-3 |
| <input type="checkbox"/>            | Schedule of Segregation Requirements and Funds in Segregation Pursuant to Commodity Exchange Act   |
| <input type="checkbox"/>            | (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation  |
| <input checked="" type="checkbox"/> | (l) An Oath or Affirmation   |
| <input type="checkbox"/>            | (m) A Copy of the SIPC Supplemental Report   |
| <input type="checkbox"/>            | (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)

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**GUGGENHEIM FUNDS DISTRIBUTORS, LLC**

Statement of Financial Condition

December 31, 2013

(With Report of Independent Registered Public Accounting Firm Thereon)

**GUGGENHEIM FUNDS DISTRIBUTORS, LLC**

December 31, 2013

**Table of Contents**

	<b>Page</b>
Report of Independent Registered Public Accounting Firm	1
Statement of Financial Condition	2
Notes to Statement of Financial Condition	3-9



**KPMG LLP**  
Aon Center  
Suite 5500  
200 East Randolph Drive  
Chicago, IL 60601-6436

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

The managing member of Guggenheim Funds Distributors, LLC:

We have audited the accompanying statement of financial condition of Guggenheim Funds Distributors, LLC as of December 31, 2013, that is filed pursuant to Rule 17a 5 under the Securities Exchange Act of 1934, and the related notes to the statement of financial condition (the financial statement).

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the 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 financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statement referred to above presents fairly in all material respects, the financial position of Guggenheim Funds Distributors, LLC as of December 31, 2013, in accordance with U.S. generally accepted accounting principles.

**KPMG LLP**

Chicago, Illinois  
February 28, 2014

**GUGGENHEIM FUNDS DISTRIBUTORS, LLC**

Statement of Financial Condition

December 31, 2013

**Assets**

Cash	\$	18,462,318
Cash segregated under federal regulations		100,000
Deposits with clearing organizations		1,641,775
Securities owned, at fair value		1,433,717
Due from broker-dealers and clearing organizations		9,786,995
Accounts receivable		4,861,888
Receivable from Parent, net		762,680
Receivable from affiliates		1,770,889
Fixed assets (net of accumulated depreciation of \$64,959)		80,541
Other assets		413,348
Total assets	\$	<u><u>39,314,151</u></u>

**Liabilities and Member's Equity**

Liabilities:

Due to customer	\$	10,813,262
Accrued compensation		8,392,701
Accrued product costs		1,327,193
Accounts payable and other accrued liabilities		759,538
Payable to affiliates		515,033
Total liabilities		<u>21,807,727</u>
Member's equity		<u>17,506,424</u>
Total liabilities and member's equity	\$	<u><u>39,314,151</u></u>

See accompanying notes to statement of financial condition.

## **GUGGENHEIM FUNDS DISTRIBUTORS, LLC**

Notes to Statement of Financial Condition

December 31, 2013

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

Guggenheim Funds Distributors, LLC (the Company) acts as sponsor, portfolio supervisor and securities evaluator to various equity and fixed income unit investment trust portfolios. Additionally, the Company participates in the marketing and distribution of closed-end fund initial public offerings and supports the secondary market of the funds. The Company also participates in the marketing and distribution of exchange-traded funds. The Company is a wholly owned subsidiary of Guggenheim Funds Services, LLC (the Parent). Guggenheim Capital, LLC (Guggenheim) is the ultimate parent of the Company.

In accordance with regulations under the Securities Exchange Act of 1934, the Company is registered as a broker-dealer with the Securities and Exchange Commission (the SEC) and is a registered investment adviser under the Investment Advisers Act of 1940. The Company is a clearing broker and a member of the Depository Trust and Clearing Corporation. The Company is also registered as a broker-dealer with the Financial Industry Regulatory Authority, Inc. (FINRA) and is a member of the Municipal Securities Rulemaking Board.

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

#### **(a) Basis of Presentation**

The accompanying statement of financial condition of the Company has been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### **(b) Use of Estimates**

The preparation of the statement of financial condition in conformity with 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 statement of financial condition. Actual results may differ from those estimates.

#### **(c) Securities Transactions**

Securities and customer transactions, and related income and expense are recorded on a trade-date basis. Securities transactions pending settlement are included net in due from broker-dealers and clearing organizations in the statement of financial condition. Investments in closed-end funds and exchange-traded equities are valued at quoted market close prices. Investments in corporate obligations are valued by an independent pricing service taking into consideration yield, credit quality, liquidity, coupon, maturity and other factors or market data the pricing service deems relevant. Unit investment trusts are carried at their net asset value (see note 3 for additional information).

#### **(d) Cash**

Cash consists of cash on deposit with a bank.

#### **(e) Deposits with Clearing Organizations**

Deposits with clearing organizations include cash on deposit with clearing organizations to meet margin requirements.

## GUGGENHEIM FUNDS DISTRIBUTORS, LLC

Notes to Statement of Financial Condition

December 31, 2013

**(f) *Accounts Receivable***

Accounts receivable consists primarily of evaluation and surveillance fees on unit investment trusts, servicing fees on closed-end funds, and creation and development fees on unit investment trusts.

**(g) *Fixed Assets***

Furniture and equipment are recorded at cost, net of accumulated depreciation. Depreciation is provided on a straight-line basis using estimated useful lives of the assets, which is five to seven years.

**(h) *Due from Broker-Dealers and Clearing Organizations and Due to Customer***

In its capacity as a sponsor of unit investment trusts, the Company records amounts due from broker-dealers and clearing organizations for unsettled sales transactions of securities and unit investment trusts. The Company also records amounts due to customer for unsettled purchase transactions of securities and unit investment trusts.

**(i) *Income Taxes***

The Company is organized as a Delaware limited liability company and treated as a disregarded entity for U.S. income tax purposes and has no federal tax liability. State tax liabilities are determined under individual state laws. The Company's income is included in the federal and state income tax returns of the tax regarded entity.

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10 requires the evaluation of tax positions taken or expected to be taken in the course of preparing the Company's tax returns to determine whether the tax positions are "more likely than not" of being sustained by applicable tax authority based upon technical merits of the position. Tax benefits from tax positions not deemed to meet the more-likely-than-not threshold should not be recognized in the year of determination. Management has reviewed the Company's tax positions for all open years and concluded that the Company has no material uncertain tax positions at December 31, 2013. Further, as of December 31, 2013, the Company has recorded no liability for net unrecognized tax benefits relating to uncertain tax positions they have taken or expect to take in future tax returns. The Company has not recorded any penalties and/or interest related to uncertain tax positions.

**(j) *Unit-Based Compensation***

The Company accounts for unit-based compensation under ASC Topic 718, *Compensation – Stock Compensation* (ASC 718). ASC 718 requires the recognition of the fair value of unit-based compensation in the statement of operations. Awards with graded vesting are treated as a single award (although the Company may value each tranche separately) and compensation cost is recognized on a straight-line basis over the requisite service period of the entire award.

## GUGGENHEIM FUNDS DISTRIBUTORS, LLC

Notes to Statement of Financial Condition

December 31, 2013

### (k) *Recent Accounting Developments*

#### **Disclosures about Offsetting Assets and Liabilities**

In December 2011, the FASB issued Accounting Standards Update (ASU) No. 2011-11, *Disclosures about Offsetting Assets and Liabilities* (ASU 2011-11) amending FASB ASC Topic 210, *Balance Sheet*. The amended guidance requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. ASU 2011-11 is effective for interim and annual periods beginning on or after January 1, 2013. The adoption of ASU 2011-11 did not have a material impact on the Company's statement of financial condition or disclosures.

### (3) **Fair Value Measurements**

Management estimates the fair value of financial instruments recognized in the statement of financial condition (including receivables, payables, note payable, and accrued expenses) approximate their fair value, as such financial instruments are either reported at fair value or are short-term in nature, bear interest at current market rates or are subject to frequent repricing.

ASC 820-10, *Fair Value Measurements and Disclosures* establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. This guidance also addresses fair value of an instrument when the volume and level of activity for an asset or liability have decreased significantly and provides guidance for determining the concurrent weighting of the transaction price relative to fair value indications from other valuation techniques when estimating fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1      Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date;
- Level 2      Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and
- Level 3      Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, and liquidity statistics, among other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The Company assesses its financial instruments on a quarterly basis to determine their appropriate classification within the fair value hierarchy. Transfers between fair value classifications occur when there are changes in pricing observability levels. Transfers of financial instruments among the levels are deemed to occur at the end of the reporting period. There were no transfers between the Company's Level 1, Level 2 and Level 3 classified instruments during the year ended December 31, 2013.

**GUGGENHEIM FUNDS DISTRIBUTORS, LLC**

Notes to Statement of Financial Condition

December 31, 2013

The Company did not own any financial assets or liabilities that would be considered Level 3 within the fair value hierarchy as of or during the year ended December 31, 2013. The following table presents securities owned at fair value as of December 31, 2013:

Description	December 31, 2013	Quoted prices or identical assets in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Securities owned:				
Equity securities	\$ 297,357	297,357	—	—
Fixed income unit investment trusts	756,614	—	756,614	—
Equity unit investment trusts	69,512	—	69,512	—
Closed-end funds	310,234	310,234	—	—
Total securities owned	<u>\$ 1,433,717</u>	<u>607,591</u>	<u>826,126</u>	<u>—</u>

**(4) Fixed Assets**

Fixed assets consisted of the following at December 31, 2013:

Furniture	\$ 40,216
Office equipment	<u>105,284</u>
	145,500
Less accumulated depreciation	<u>(64,959)</u>
	<u>\$ 80,541</u>

**(5) Commitments**

The Company leases certain office space under a noncancelable lease expiring in 2015, which is cancelable after April 30, 2013 with 90 days notice. At December 31, 2013, the Company's future noncancelable minimum rental commitments based upon the terms under the operating lease was \$28,800.

The Company acts as sponsor and depositor for the unit investment trust products it sells. In this capacity, the Company is required to deposit securities or contracts with the trustee for the purchase of securities. At December 31, 2013, the Company recorded purchases of \$297,357 in equity securities to be deposited in unit investment trusts scheduled for creation on January 2, 2014.

In the normal course of business, the Company may enter into contracts that contain a number of representations and warranties which may provide for general or specific indemnifications. The Company's exposure under the contracts is not currently known as any such exposure would be based on future claims, which could be made against the Company. There have been no such claims since the

## GUGGENHEIM FUNDS DISTRIBUTORS, LLC

### Notes to Statement of Financial Condition

December 31, 2013

inception of the Company. Management does not anticipate any such claims and expects any risk of loss to be remote.

#### (6) Borrowings

In conjunction with the creation of fixed income unit investment trust portfolios, the Company obtains short-term financing by pledging its fixed income investment inventory to a major U.S. financial institution. The terms and conditions of the demand note permit the Company to receive up to 70% of the market value of the securities pledged. Repayment of principal occurs daily as the pledged securities are sold to the trustee of the unit investment trusts. No borrowings were outstanding under this demand note as of December 31, 2013.

#### (7) Related Parties

The Company records a deferred sales charge on sales of unit investment trust portfolios sponsored and supervised by the Company. These deferred amounts are to be received generally over a three to five month period following the sale, of which receipt is guaranteed by the applicable unit investment trust. The Company sells its deferred sales charge receivables to the Parent at each month-end. The deferred sales charge revenue is included in the statement of operations within net revenue from unit investment trust sales. At December 31, 2013, amounts due from the Parent under this arrangement of \$858,680 are included in receivable from Parent, net in the statement of financial condition.

As discussed herein, the Company has significant transactions with the Parent. Because of this relationship, it is possible that the terms of these transactions are not the same as those that would result from transactions among unrelated parties.

For the period January 1, 2013 to June 30, 2013, in accordance with a formal agreement, the Parent allocated certain indirect costs amongst the various subsidiaries in the consolidated group, including compensation-related benefits, facility costs and other general and administrative costs. A revenue based cost allocation methodology was used, whereby indirect costs are aggregated across all product lines and then allocated based on revenue earned. This agreement was terminated on June 30, 2013.

In July 2013, the Company entered into a Service Agreement with the Parent and certain affiliates under which the following services are provided: premises; technology services, including hardware, software and telecommunications; corporate finance, including accounting, tax and planning; human resources and benefits administration; general administration; legal; and marketing. At December 31, 2013, \$206,835 is included in payable to affiliates and \$96,000 in receivable from Parent, net in the statement of financial condition.

The Company has an arrangement with certain affiliates whereby the Company and affiliates provide distribution services for specified products, including unit investment trusts, mutual funds and exchange traded funds. At December 31, 2013, \$1,770,889 is included in receivable from affiliates and \$203,699 is included in payable to affiliates.

The Company and its affiliates may pay certain expenses on their behalf throughout the year in the normal course of business. At December 31, 2013, \$104,499 is included in payable to affiliates in the statement of financial condition.

## GUGGENHEIM FUNDS DISTRIBUTORS, LLC

Notes to Statement of Financial Condition

December 31, 2013

The Company has entered into arrangements with an affiliate whereby the affiliate provides investment advice to the Company in connection with the creation of certain unit investment trusts. In certain instances, the affiliate has discretionary authority to purchase securities on behalf of the Company. The affiliate does not currently charge a fee for these services.

### **(8) Off-Balance Sheet Credit and Concentration of Risk**

The Company has no retail customers and only one customer under Rule 15c3-3 of the Securities Exchange Act of 1934. In the normal course of business, the Company's customer activities involve the execution and settlement of customer transactions, primarily the purchase and sale of unit investment trusts. These activities may expose the Company to off-balance sheet risk in the event the customer is unable to fulfill its contracted obligations and the Company has to purchase or sell the unit investment trusts at a loss.

The Company is a clearing broker-dealer engaged in various trading, brokerage and investing activities with counterparties, which primarily include other broker-dealers, banks and financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk of default. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, on an ongoing basis, the credit standing of each counterparty with which it conducts business.

### **(9) Employee Benefit Plan**

All participating employees are eligible to participate in the Guggenheim 401(k) plan.

### **(10) Unit-Based Compensation**

Phantom units are the principal equity award used by the Company and are granted under the Guggenheim Capital Phantom Unit Plan (the Plan) as part of an overall retention plan to retain key employees. Participants are credited with phantom units that track the value of common units of Guggenheim.

Participants also receive dividend distributions and liquidating distributions in cash, on a pari passu basis with Guggenheim's common units. Phantom awards issued as part of the Company's annual incentive compensation are equity classified awards granted by Guggenheim to Company personnel. The ultimate settlement of phantom units through conversion to Guggenheim common units or cash distributions is Guggenheim's obligation.

### **(11) Net Capital Requirements**

The Company is subject to the net capital requirements of the SEC under Rule 15c3-1 (the Rule). The SEC requirements provide, among other items, that equity capital may not be withdrawn or cash dividends paid if certain minimum net capital requirements are not met. In addition, the Company has an agreement with its wholesalers that restricts the payment of compensation if such payment would cause the Company to not meet its minimum net capital requirements. The Rule requires the Company to maintain minimum net capital equal to the greater of \$250,000 or 2% of aggregate debit items, as defined. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2013, the Company had net capital, as defined, of \$10,301,340 which was \$10,051,340 in excess of the minimum capital required to be maintained.

## **GUGGENHEIM FUNDS DISTRIBUTORS, LLC**

Notes to Statement of Financial Condition

December 31, 2013

### **(12) Segregation of Funds for the Benefit of Customers**

The Company is required, under Rule 15c3-3 of the Securities Exchange Act of 1934, to segregate assets equivalent to balances due to its customer.

At December 31, 2013, the Company is in compliance with these segregation requirements and holds segregated assets in excess of amounts required to be segregated. Cash of \$100,000 has been segregated in a special reserve bank account for the benefit of its customer under Rule 15c3-3 and is included in cash segregated under federal regulations in the statement of financial condition.

### **(13) Subsequent Events**

The Company has performed an evaluation of subsequent events through February 28, 2014, which is the date the financial statements were available to be issued and did not identify any subsequent events, which would require adjustment to or disclosure within the statement of financial condition and accompanying notes except as follows:

On February 25, 2014, the Company received approval from FINRA for an affiliated broker-dealer, Guggenheim Distributors, LLC (GDL), to consolidate with and into the Company effective on or about March 3, 2014. GDL is a registered broker-dealer and primarily serves as a distributor for mutual funds. Guggenheim is also the ultimate parent of GDL.