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

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

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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 01/01/13 AND ENDING 12/31/13  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Invesco Capital Markets, Inc.

OFFICIAL USE ONLY
FIRM I.D. NO.

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

11 Greenway Plaza, Suite 100

(No. and Street)

Houston

(City)

TX

(State)

77046

(Zip Code)

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

Annette Lege

404-439-3462

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

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

PricewaterhouseCoopers LLP

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

1075 Peachtree St., Suite 2600

(Address)

Atlanta

(City)

GA

(State)

30309

(Zip Code)

**CHECK ONE:**

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

<b>FOR OFFICIAL USE ONLY</b>

\*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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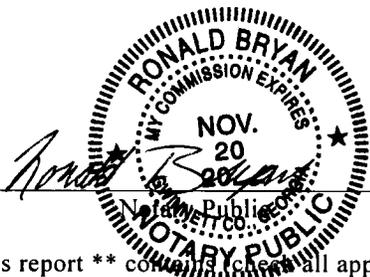
OATH OR AFFIRMATION

I, Annette Lege, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Invesco Capital Markets, Inc., 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, except as follows:

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

Annette Lege  
Signature

Chief Financial Officer  
Title



This report \*\* conforms to (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).

**Invesco Capital Markets, Inc.**  
**Statement of Financial Condition**  
**December 31, 2013**

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**Invesco Capital Markets, Inc.**  
**Statement of Financial Condition**  
**December 31, 2013**

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**December 31, 2013**

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## Independent Auditor's Report

To the Board of Directors and Shareholder of  
Invesco Capital Markets, Inc.

We have audited the accompanying statement of financial condition of Invesco Capital Markets, Inc. (the "Company"), as of December 31, 2013.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on the statement of financial condition 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 from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement of financial condition. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the statement of financial condition, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the statement of financial condition 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 Company'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 statement of financial condition. 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 statement of financial condition referred to above present fairly, in all material respects, the financial position of the Invesco Capital Markets, Inc. at December 31, 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP".

February 21, 2014

**Invesco Capital Markets, Inc.**  
**Statement of Financial Condition**  
**December 31, 2013**

*(in thousands of dollars, except share data)*

**Assets**

Cash and cash equivalents	\$ 31,204
Cash deposited with clearing organizations or segregated under federal and other regulations or requirements	11,313
Financial instruments owned, at fair value	3,267
Due from affiliated companies	1,556
Receivable from Customers	45,492
Receivable from Brokers, dealers and clearing organizations	52,303
Loan due from parent	30,051
Fees, interest and other receivables	74
Intangible assets, net	28,056
Goodwill	1,500
Other assets	200
<b>Total Assets</b>	<b><u>\$ 205,016</u></b>

**Liabilities and Stockholder's Equity**

Liabilities:

Financial instruments sold, not yet purchased, at fair value	1,741
Payables to Customers	48,399
Payables to Brokers, dealers and clearing organizations	49,475
Deferred tax liabilities, net	9,232
Other liabilities and accrued expenses	1,138
<b>Total liabilities</b>	<b><u>109,985</u></b>

Stockholder's equity:

Common stock (\$100 par value, 2,500 shares authorized, issued and outstanding)	250
Additional paid-in capital	61,221
Retained earnings	33,560
<b>Total stockholder equity</b>	<b><u>95,031</u></b>
<b>Total liabilities and equity</b>	<b><u>\$ 205,016</u></b>

The accompanying notes are an integral part of this statement of financial condition.

**Invesco Capital Markets, Inc.**  
**Notes to Statement of Financial Condition**  
**December 31, 2013**

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*(in thousands of dollars)*

**1. Organization and Description of Business**

Invesco Capital Markets Inc. (the "Company"), is a Delaware corporation and a registered broker-dealer under the Securities Exchange Act of 1934. The Company is a sponsor of Unit Investment Trusts ("UITs"). The Company is a wholly owned subsidiary of Invesco Advisers, Inc. ("IAI"). IAI is owned by Invesco North America Holdings ("INAH"), which is owned by Invesco Management Group, Inc. ("Management"), which is owned by IVZ UK Limited ("Limited"), which in turn is owned by Invesco Group Services ("IGS"), which is owned by IVZ, Inc. ("IVZ"), the ultimate U.S. parent of the Company. IVZ is ultimately owned by Invesco Ltd., a publicly traded holding company that, through its subsidiaries, is primarily engaged in investment management worldwide.

The Company 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"), the Municipal Securities Rulemaking Board ("MSRB") and the Securities Investor Protection Corporation ("SIPC").

The Company is a sponsor of UITs. The Company also introduces transactions on a fully disclosed basis for affiliated products. A third-party clearing firm provides custodial and clearing services to the Company for these transactions.

**2. Summary of Significant Accounting Policies**

**Basis of Financial Information**

These financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("US GAAP") and in the opinion of management reflect all adjustments necessary for a fair statement of financial condition, income, changes in stockholder's equity, and cash flows for the period presented.

All amounts reflected in these financial statements are presented in thousands of dollars except where indicated.

**Use of Estimates**

The preparation of financial statements in conformity with US 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. Management believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from those estimates.

**Consolidations**

UITs are classified as variable interest entities; as such the Company's policy is to consolidate UITs when the Company is the primary beneficiary. There were no consolidated UITs as of December 31, 2013.

**Invesco Capital Markets, Inc.**  
**Notes to Statement of Financial Condition**  
**December 31, 2013**

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*(in thousands of dollars)*

**Cash and Cash Equivalents**

The Company has defined cash equivalents as highly liquid investments, with original maturities of three months or less. Cash and cash equivalents consist of cash and investments in affiliated money market funds.

**Cash Deposited With Clearing Organizations or Segregated Under Federal and Other Regulations or Requirements**

Cash deposited with clearing organizations or segregated under federal and other regulations or requirements includes cash segregated in compliance with federal and other regulations and represents the clearing fund requirement held with the National Securities Clearing Corporation ("NSCC") and Depository Trust & Clearing Corporation ("DTCC"). It also includes deposits segregated in a special reserve bank account for the benefit of customers under Rule 15c3-3 of the Securities Exchange Act of 1934. Additionally, a deposit with a third party broker-dealer providing custodial and clearing services is included, and a proprietary account of introducing brokers ("PAIB") agreement has been executed with this third-party broker.

**Financial Instruments and Fair Value**

***Fair Value Measurement – Definition and Hierarchy***

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various valuation approaches and establishes a hierarchy for inputs used in measuring fair value that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 Valuations based on one or more quoted price in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
- Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of observable inputs may vary from product to product and may be affected by a wide variety of factors, such as; the type of product, whether the product is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3.

**Invesco Capital Markets, Inc.**  
**Notes to Statement of Financial Condition**  
**December 31, 2013**

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*(in thousands of dollars)*

The Company uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level 1 to Level 2 or from Level 2 to Level 3 (Note 3). In addition, a downturn in market conditions could lead to further declines in the valuation of many instruments. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

*Valuation Techniques*

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Company's own assumptions are set to reflect those the Company believes that market participants would use in pricing the asset or liability at the measurement date. Refer to Note 3 for product-specific valuation techniques.

*Financial Instruments Measured at Fair Value*

All of the instruments within financial instruments owned and financial instruments sold, not yet purchased, are measured at fair value. These instruments primarily represent the Company's trading and investment activities.

The Company, as sponsor of UITs, selects and holds various debt and equity securities to be used in a trust. The Company transfers the securities to the trust and receives a beneficial interest in the trust backed by the securities, or UITs. The Company has continuing involvement with the securities upon transfer of the securities to the trust and the Company does not provide the trust with any substantive rights to control, pledge, or exchange the securities. Accordingly, all such transfers to the trust are accounted for as secured borrowings, rather than sales, by the Company. Generally, the Company's transfer of the securities to the trust and receipt of the UITs from the trust occurs simultaneously. The Company classifies the various debt and equity securities held by major security type within the statement of financial condition. The Company classifies the units of UITs received from the trust within financial instruments owned, at fair value.

**Related Party Transactions**

*Due from Affiliates*

Amounts due from affiliates are unsecured and are payable on demand. The balance consists primarily of intercompany funding from IVZ, as well as other intercompany activity.

*Loan Due From Parent*

The Company entered into an intercompany loan agreement with IAI on September 16, 2013. As of December 31, 2013 the Company has executed \$30,000 of loans under this agreement. Executed loans under this agreement are unsecured, bear interest at a rate of three point six percent per annum and are payable on demand. The expiration date of the current agreement is September 16, 2018. Interest income of \$745 is included in the Company's Statement of Income. Interest receivable of \$51 is included in the Company's Statement of Financial Condition.

*Distribution Costs*

The sale of Company-sponsored UITs that involve a deferred sales charge and creation and development fee for specific trusts, result in receivables which are due to the Company from the

**Invesco Capital Markets, Inc.**  
**Notes to Statement of Financial Condition**  
**December 31, 2013**

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*(in thousands of dollars)*

UITs. The Company sells the deferred sales charge and creation and development fee receivables to IVZ at cost.

**Receivables and Payables – Customers**

Receivables and payables due to/from customers represent unsettled trades of securities and UITs, which are recorded on a trade date basis.

**Receivables and Payables – Brokers, Dealers, and Clearing Organizations**

Receivables and payables due to/from brokers, dealers and clearing organizations represent unsettled trades of securities and UITs, which are recorded on a trade date basis. It also includes the margin deposits with brokers related to the Company's hedging of UITs and its security inventory.

**Intangible Assets**

Intangible assets identified on the acquisition of a business are capitalized separately from goodwill if the fair value can be measured reliably on initial recognition (transaction date). If they are finite-lived, the intangible assets are amortized and recorded as operating expenses on a straight-line basis over their useful lives, which reflects the pattern in which the economic benefits are realized.

The Company considers its own assumptions, which require management's judgment, about renewal or extension of the term of the arrangement, consistent with its expected use of the asset. A change in the useful life of an intangible asset could have a significant impact on the Company's amortization expense. The Company evaluates the useful life determination for intangible assets each reporting period to determine whether events and circumstances warrant a revision to the remaining useful life or an indication of impairment.

Definite-lived intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable (i.e. carrying amount exceeds the sum of the fair value of the intangible).

**Invesco Capital Markets, Inc.**  
**Notes to Statement of Financial Condition**  
**December 31, 2013**

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*(in thousands of dollars)*

**Goodwill**

Goodwill represents the premium paid above cost the Company expects to arise as a result of a previous acquisition. Goodwill is not amortized and is tested for impairment on an annual basis, or more often if events or circumstances indicate that impairment may exist. ASU 2011-08 allows the option to first qualitatively assess whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. The Company did not utilize this option in 2013 and performed a quantitative impairment test. The impairment test for goodwill consists of a two-step approach, which is performed at the reporting unit level. If the carrying amount of the reporting unit exceeds its fair value (the first step of the goodwill impairment test), then the second step is performed to determine if goodwill is impaired and to measure the amount of the impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of goodwill with the carrying amount of goodwill. If the carrying amount of goodwill exceeds the implied fair value of goodwill, an impairment loss is recognized in an amount equal to that excess. The principal method of determining fair value of the reporting unit is an income approach where estimated future cash flows are discounted to arrive at a single present value amount.

The Company has determined that there is one operating and reportable segment. The Company evaluated the components of its business and has determined that it has one reporting unit for purposes of goodwill impairment testing.

**Income Taxes**

For federal income tax purposes, the Company's income is included in the consolidated income tax return filed by IVZ. Federal income taxes are calculated as if the Company filed on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from IVZ. The amount of current and deferred taxes payable or refundable is recognized as of the date of the statement of financial condition, utilizing currently enacted tax laws and rates. The Company recognizes and measures its unrecognized tax benefits in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*. Under that guidance the Company assesses the likelihood, based on their technical merit, that tax positions will be sustained upon examination based on the facts, circumstances, and information available at the end of each period. The measurement of unrecognized tax benefits is adjusted when new information is available, or when an event occurs that requires a change. The Company does not have any unrecognized tax benefits as of December 31, 2013.

**Concentration of Credit Risk**

The Company is engaged in brokerage activities in which counterparties primarily include broker-dealers. In the event that counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

**Invesco Capital Markets, Inc.**  
**Notes to Statement of Financial Condition**  
**December 31, 2013**

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*(in thousands of dollars)*

**Accounting Pronouncements Recently Adopted and Pending Accounting Pronouncements**

In February 2013, the FASB issued Accounting Standards Update No. 2013-02, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (ASU 2013-02). ASU 2013-02 amends Topic 220 to require an entity to present current period reclassifications out of accumulated other comprehensive income and other amounts of current-period other comprehensive income, separately, for each component of other comprehensive income. ASU 2013-02 also requires an entity to provide information about the effects on net income of significant amounts reclassified out of each component of accumulated other comprehensive income, if those amounts are required under other Topics to be reclassified to net income in their entirety in the same reporting period. The amendments to Topic 220 made by ASU 2013-02 are effective for interim and annual periods beginning on or after December 15, 2012. The adoption of ASU 2013-02 did not have an effect on the Company's financial statements or the Company's disclosures.

**3. Fair Value Disclosure**

The Company's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC Topic 820, *Fair Value Measurements and Disclosures*. See Note 2 for a discussion of the Company's policies regarding this hierarchy.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy.

**Cash Equivalents**

Cash equivalents include cash investments in affiliate money market funds. Cash investments in money market funds are valued under the market approach through the use of quoted market prices in an active market, which is the net asset value of the underlying funds, and are classified within Level 1 of the valuation hierarchy.

**Corporate Equities**

The Company temporarily holds investments in corporate equities for purposes of creating a UIT. Corporate equities are valued under the market approach through use of quoted prices on an exchange. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized within Level 1 of the valuation hierarchy; otherwise, they are categorized in Level 2.

**UITs**

The Company may hold units of its sponsored UITs at period-end for sale in the primary market or secondary market. Equity UITs are valued under the market approach through use of quoted prices on an exchange. Fixed income UITs are valued using recently executed transaction prices, market price quotations (where observable), bond spreads, or credit default swap spreads. The spread data used is for the same maturities as the underlying bonds. If the spread data does not reference the issuers, then data that references comparable issuers is used. When observable price quotations are not available, fair value is determined based on cash flow models with yield curves, bond or single name credit default spreads, and recovery rates based on collateral value as key inputs. Depending on the nature of the inputs, these investments are categorized as Level 1, 2, or 3.

**Invesco Capital Markets, Inc.**  
**Notes to Statement of Financial Condition**  
**December 31, 2013**

(in thousands of dollars)

**Financial Instruments Sold, Not Yet Purchased, and Derivative Assets and Liabilities**

The Company uses U.S. Treasury futures, which are types of derivative financial instruments, to hedge economically fixed income UIT inventory and securities in order to mitigate market risk.

Open futures contracts are marked-to-market daily through earnings along with the mark-to-market on the underlying trading securities held. Fair values of derivative contracts in an asset position are included in financial instruments owned, at fair value in the Company's statement of financial condition. Fair values of derivative contracts in a liability position are included in unrealized depreciation on derivative contracts in the Company's statement of financial condition. These derivative contracts are valued under the market approach through use of quoted prices in an active market and are classified within Level 1 of the valuation hierarchy. Additionally, to hedge economically the market risk associated with equity and debt securities and UITs temporarily held as trading investments, the Company will hold short corporate stocks, exchange-traded funds, or U.S. treasury security positions. These transactions are recorded as financial instruments sold, not yet purchased and are included in financial instruments sold, not yet purchased, at fair value – corporate equities in the Company's statement of financial condition. To the extent these securities are actively traded, valuation adjustments are not applied and they are categorized within Level 1 of the valuation hierarchy; otherwise, they are categorized in Level 2.

The following table presents, for each of the hierarchy levels described above, the carrying value of the Company's assets and liabilities, including major security type for equity and debt securities, which are measured at fair value on the face of the statement of financial condition as of December 31, 2013.

	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>	<b>Fair Value Measurements</b>
<b>Assets</b>				
Money market funds	\$ 30,202	\$ -	\$ -	\$ 30,202
Financial instruments owned				
Corporate equities	2,085	-	-	2,085
UITs				
Fixed income	968	-	-	968
Equity	211	-	-	211
Derivative contracts	4	-	-	4
Total cash equivalents and financial instruments owned	<u>\$ 33,470</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,470</u>
<b>Liabilities</b>				
Financial instruments sold, not yet purchased				
Corporate equities	<u>(1,741)</u>	<u>-</u>	<u>-</u>	<u>(1,741)</u>
Financial instruments sold, not yet purchased	<u>(1,741)</u>	<u>-</u>	<u>-</u>	<u>(1,741)</u>

The Company had no transfers between Level 1 and Level 2 or between Level 2 and Level 3 during 2013. The Company had no Level 3 assets and liabilities measured at fair value on a recurring basis for the period ended December 31, 2013.

**Invesco Capital Markets, Inc.**  
**Notes to Statement of Financial Condition**  
**December 31, 2013**

(in thousands of dollars)

**4. Intangible Assets**

The following table presents the major classes of the Company's intangible assets at December 31, 2013:

	<b>Weighted Average Amortization Period (Years)</b>	<b>Gross Book Value</b>	<b>Accumulated Amortization</b>	<b>Net Book Value</b>
Customer relationships	12.0	<u>\$ 40,000</u>	<u>\$ (11,944)</u>	<u>\$ 28,056</u>
		<u>\$ 40,000</u>	<u>\$ (11,944)</u>	<u>\$ 28,056</u>

Customer relationships primarily relate to UIT-specific distribution relationships that exist with third-party brokers. The intangible asset is amortized and recorded as an operating expense on a straight-line basis over its useful life of 12 years, which reflects the pattern in which the economic benefits are realized. The Company considers its own assumptions, which require management's judgment, about renewal or extension of the term of the arrangement, consistent with its expected use of the asset. Management reviewed performance noting no indicators of impairment.

**5. Goodwill**

The annual impairment review performed on October 1, 2013 determined that no impairment existed at the review date.

**6. Derivative Instruments and Hedging Activities**

The Company manages its positions by employing a variety of risk mitigation strategies. These strategies include diversification of risk exposures and hedging. Hedging activities consist of the purchase or sale of positions in related securities and financial instruments, including certain derivative products (e.g., futures). The Company manages the market risk associated with its hedging activities on a Company-wide basis and on an individual product basis.

The following table summarizes the fair value of derivative instruments not designated as accounting hedges by type of derivative contract on a gross basis as of December 31, 2013.

	<b>Assets at December 31, 2013</b>	
	<b>Fair Value</b>	<b>Notional</b>
Derivatives not designated as accounting hedges		
Future contracts	<u>\$ 2</u>	<u>\$ 257</u>
	<u>\$ 2</u>	<u>\$ 257</u>

**7. Cash Deposited With Clearing Organizations or Segregated**

Cash deposited with clearing organizations or segregated includes segregated cash of \$1,000. It also includes cash deposited with clearing organizations of \$10,313.

**Invesco Capital Markets, Inc.**  
**Notes to Statement of Financial Condition**  
**December 31, 2013**

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*(in thousands of dollars)*

**8. Commitments and Contingencies**

**Underwriting Commitments and Letters of Credit**

In the normal course of business, the Company enters into when-issued, delayed delivery and underwriting commitments. As a result of these commitments the Company enters into standby letters of credit with a bank as part of its contractual commitment to deliver securities to the UITs that it sponsors. Upon entry into such commitments, the Company is charged an annual interest rate of 1.0% on amounts outstanding. These credit agreements are unsecured and do not contain restrictive covenants. At December 31, 2013, there were no outstanding net purchase commitments.

**Legal**

The Company is from time to time involved in litigation relating to other claims arising in the ordinary course of its business. Management is of the opinion that the ultimate resolution of such claims, if any, will not materially affect the Company's business, financial position, results of operation or liquidity. In management's opinion, no accrual is necessary as of December 31, 2013 to provide for any such losses that may arise from matters for which the Company could reasonably estimate an amount.

The investment management industry also is subject to extensive levels of ongoing regulatory oversight and examination. In the United States and other jurisdictions in which the Company operates, governmental authorities regularly make inquiries, hold investigations and administer market conduct examinations with respect to compliance with applicable laws and regulations. Additional lawsuits or regulatory enforcement actions, if any, arising out of these inquiries may in the future be filed against the Company and related entities and individuals in the U.S. and other jurisdictions in which the Company and its affiliates operate.

**9. Regulatory Requirements**

The Company is a registered broker-dealer, and accordingly, is subject to the net capital rules of the Securities and Exchange Commission ("SEC") and FINRA. Under these rules the Company is required to maintain minimum Net Capital, as defined under SEC Rule 15c3-1, equal to the greater of \$250 or 2% of aggregate debit balances arising from customer transactions, as defined. FINRA may require a member firm to reduce its business if net capital is less than 4% of such aggregate debit items and may prohibit a firm from expanding its business if net capital is less than 5% of such aggregate debit items. At December 31, 2013, the Company's Net Capital was \$38,696 which exceeded required net capital of \$250 by \$38,446.

Advances to the Parent and its affiliates, repayment of subordinated liabilities, dividend payments and other equity withdrawals are subject to certain notification and other provisions of the Net Capital rule of the SEC.

**10. Income Taxes**

Deferred and current taxes are provided at the statutory rate in effect during the year (35%) by the members of the consolidated group based on the amount that the respective member would pay or have refunded if it were to file a separate return. The short term deferred tax asset of \$281 is primarily related to the timing of deductibility of accrued bonus. The long term deferred tax asset of \$588 primarily relates to the timing of deductibility of deferred compensation for federal tax

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*(in thousands of dollars)*

purposes. The long term deferred tax liability of \$10,101 primarily relates to the timing of deductibility of amortization on the Company's intangible assets.

A reconciliation of the Company's net deferred tax liability is shown in the table below:

Short term deferred tax assets	\$ 281
Long term deferred tax assets	588
Deferred tax liabilities	<u>(10,101)</u>
Net deferred tax liability	<u>\$ (9,232)</u>

The Company is subject to income tax examinations by various taxing authorities. The Company is no longer subject to income tax examinations by the primary tax authorities for years prior to 2007.

**11. Subsequent Events**

Management of the Company has performed an evaluation of subsequent events through February 21, 2014, which is the date the financial statements were issued. No subsequent events were noted in management's evaluation which would require disclosure.



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