

Invesco Quality Municipal Income Trust  
Form N-CSR  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM N-CSR**

**CERTIFIED SHAREHOLDER REPORT OF REGISTERED**  
**MANAGEMENT INVESTMENT COMPANIES**  
**Investment Company Act file number 811-06591**

**Invesco Quality Municipal Income Trust**  
**(Exact name of registrant as specified in charter)**

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**1555 Peachtree Street, N.E., Atlanta, Georgia 30309**

**(Address of principal executive offices) (Zip code)**

**Philip A. Taylor 1555 Peachtree Street, N.E., Atlanta, Georgia 30309**

**(Name and address of agent for service)**

**Registrant's telephone number, including area code: (713) 626-1919**

**Date of fiscal year end: 2/28**

**Date of reporting period: 2/28/14**

Item 1. Report to Stockholders.



## Letters to Shareholders

Dear Shareholders:

Phillip Taylor

This annual report includes information about your Trust, including performance data and a complete list of its investments as of the close of the reporting period. Inside, your Trust's portfolio managers discuss how they managed your Trust and the factors that affected its performance during the reporting period. I hope you find this report of interest.

During the reporting period covered by this report, major US equity market indexes hit multiyear or all-time highs<sup>1</sup> as a result of a strengthening US economy and relatively healthy corporate profits. The same factors that helped stocks hurt fixed income securities. As the US economy improved, investors became concerned over the specter of rising interest rates. Anticipating an eventual tapering of the US Federal Reserve's asset purchase program, investors reduced their allocation to fixed income securities and increased their positions in equities. The result was a down year for most fixed income markets, including municipal bonds.

Extended periods of strong market performance can lull some investors into a false sense of security — just as extended periods of volatility or market weakness can discourage some investors from undertaking disciplined, long-term investment plans. That's why Invesco believes it can often be helpful to work with a skilled and trusted financial adviser; he or she can emphasize the importance of adhering to an investment plan designed to achieve long-term goals like a first home, a college education for a child or a comfortable retirement. A financial adviser who is familiar with your individual financial situation, investment goals and risk tolerance can be an invaluable partner as you work toward your financial goals. He or she can provide insight and perspective when markets are volatile; encouragement and reassurance when times are uncertain; and advice and guidance when your financial situation or investment goals change.

### **Timely information when and where you want it**

Invesco's efforts to help investors achieve their financial objectives include providing individual investors and financial professionals with timely information about the markets, the economy and investing — whenever and wherever they want it.

Our website, [invesco.com/us](http://invesco.com/us), offers a wide range of market insights and investment perspectives. On the website, you'll find detailed information about our funds, including prices, performance, holdings and portfolio manager commentaries. You can access information about your individual Invesco account whenever it's convenient for you; just complete a simple, secure online registration. Use the "Login" box on our home page to get started.

Invesco's mobile app for iPad® (available free from the App Store<sup>SM</sup>) allows you to obtain the same detailed information about your Trust and the same investment insights from our investment leaders, market strategists, economists and retirement experts on the go. You also can watch portfolio manager videos and have instant access to Invesco news and updates wherever you may be.

In addition to the resources accessible on our website and through our mobile app, you can obtain timely updates to help you stay informed about the markets, the economy and investing by connecting with Invesco on Twitter, LinkedIn or Facebook. You can access our blog at [blog.invesco.us.com](http://blog.invesco.us.com) or by visiting the Intentional Investing Forum

on our home page. Our goal is to provide you the information you want, when and where you want it.

**Have questions?**

For questions about your account, feel free to contact an Invesco client services representative at 800 341 2929. For Invesco-related questions or comments, please email me directly at [phil@invesco.com](mailto:phil@invesco.com).

All of us at Invesco look forward to serving your investment management needs for many years to come. Thank you for investing with us.

Sincerely,

Philip Taylor

Senior Managing Director, Invesco Ltd.

1 Source: Reuters

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Bruce Crockett

Dear Fellow Shareholders:

Members of the Invesco Funds Board work continually to oversee how the Invesco Funds are performing in light of ever-changing and often unpredictable economic and market conditions. One of the ways we do this is by verifying that the teams that manage funds understand the risks associated with the investments they make in the funds they manage.

Because no single investment product can provide complete downside protection in falling markets or full upside participation in rising markets, your Board believes it is prudent to work with a financial adviser who can help build a well diversified portfolio. While diversification does not guarantee a profit or eliminate the risk of loss, a financial adviser can determine which investments may be appropriate for your individual needs, goals and risk tolerance. He or she can explain the risks associated with different types of investments. This type of professional

guidance is why Invesco believes it is so important that individual investors work with trusted, experienced financial advisers.

Regardless of the type of fund in which you are invested, be assured that the Invesco Funds Board will continue working on your behalf and on behalf of all our fund shareholders, keeping your needs and interests uppermost in our minds.

As always, please contact me at [bruce@brucecrockett.com](mailto:bruce@brucecrockett.com) with any questions or concerns you may have. On behalf of the Board, we look forward to continuing to represent your interests and serving your needs.

Sincerely,

Bruce L. Crockett

Independent Chair

Invesco Funds Board of Trustees

## Management's Discussion of Trust Performance

### Performance summary

This is the annual report for Invesco Quality Municipal Income Trust (the Trust) for the fiscal year ended February 28, 2014. The Trust's return can be calculated based on either the market price or the net asset value (NAV) of its shares. NAV per share is determined by dividing the value of the Trust's portfolio securities, cash and other assets, less all liabilities and preferred shares, by the total number of common shares outstanding. Market price reflects the supply and demand for Trust shares. As a result, the two returns can differ, as they did during the reporting period. The main driver of returns on an NAV basis was the Trust's exposure to the long end of the yield curve.

### Performance

*Total returns, 2/28/13 to 2/28/14*

Trust at NAV	-2.51%
Trust at Market Value	-6.88
Barclays Municipal Bond Index*	-0.21
Market Price Discount to NAV as of 2/28/14	-8.70
Source(s): Lipper Inc.	

\*Effective February 28, 2014, after the close of the fiscal year, the Trust will adopt a three-tier benchmark structure to compare its performance to broad market, style-specific and peer group market measures. The S&P Municipal Bond Index will represent the Trust's broad market benchmark instead of the Barclays Municipal Bond Index as the S&P Municipal Bond Index more closely reflects the performance of the broad US municipal bond market. The S&P Municipal Bond 5+ Year Investment Grade Index and Lipper General & Insured Leveraged Municipal Debt Funds Index will become the Trust's style-specific and peer group benchmarks, respectively.

*The performance data quoted represent past performance and cannot guarantee comparable future results; current performance may be lower or higher. Investment return, NAV and common share market price will fluctuate so that you may have a gain or loss when you sell shares. Please visit [invesco.com/us](http://invesco.com/us) for the most recent month-end performance. Performance figures reflect Trust expenses, the reinvestment of distributions (if any) and changes in NAV for performance based on NAV and changes in market price for performance based on market price.*

*Since the Trust is a closed-end management investment company, shares of the Trust may trade at a discount or premium from the NAV. This characteristic is separate and distinct from the risk that NAV could decrease as a result of investment activities and may be a greater risk to investors expecting to sell their shares after a short time. The Trust cannot predict whether shares will trade at, above or below NAV. The Trust should not be viewed as a vehicle*



for trading purposes. It is designed primarily for risk-tolerant long-term investors.

## How we invest

The Trust seeks to provide investors with current income exempt from federal income tax. We seek to achieve the Trust's investment objective by investing, under normal market conditions, at least 80% of the Trust's total assets in investment-grade municipal securities. Municipal obligations include general obligation and revenue securities such as municipal bonds, municipal notes and municipal commercial paper. The Trust does not

purchase securities that are in default or rated in categories lower than B- by Standard and Poor's or B3 by Moody's or unrated securities of comparable quality.<sup>1</sup> From time to time, we may invest in municipal securities that pay interest subject to the federal alternative minimum tax.

We employ a bottom-up, research-driven approach to identify securities that have attractive risk-reward characteristics for the sectors in which we invest. We also integrate macroeconomic analysis

## Portfolio Composition

*By credit sector, based on total investments*

Revenue Bonds	83.2%
General Obligations	13.5
Pre-Refunded Bonds	3.3

Total Net Assets	
Applicable to Common Shares	\$686.4 million
Total Number of Holdings	360

The Trust's holdings are subject to change, and there is no assurance that the Trust will continue to hold any particular security.

## Top Five Fixed Income Holdings

1. Charlotte (City of) (Cultural Arts Facilities); Series 2009 E	2.1%
2. South Miami (City of) Health Facilities Authority (Baptist Health South Florida Obligated Group); Series 2007	1.8
3. Massachusetts (State of) Development Finance Agency (Harvard University); Series 2009 A	1.6
4. Illinois (State of) Toll Highway Authority; Series 2013 A	1.5
5. Fairfax (County of) Industrial Development Authority (INOVA Health System); Series 1993	1.5

and forecasting into our evaluation and ranking of various sectors and individual securities. Finally, we employ leverage in an effort to enhance the Trust's income and total return.

Sell decisions are generally based on:

- n A deterioration or likely deterioration of an individual issuer's capacity to meet its debt obligations on a timely basis.
- n A deterioration or likely deterioration of the broader fundamentals of a particular industry or sector.
- n Opportunities in the secondary or primary market to purchase a security with better relative value.

### **Market conditions and your Trust**

For the fiscal year ended February 28, 2014, the municipal bond market returned -0.21%<sup>2</sup>, as measured by the Barclays Municipal Bond Index, the Trust's benchmark. Record outflows from municipal bond funds, driven by concerns over rising interest rates and high-profile credit events, resulted in a challenging year for municipal bond investors. The \$67 billion<sup>3</sup> in municipal bond fund redemptions between March and December 2013 was in stark contrast to inflows of \$65 billion<sup>3</sup> and strong performance for the asset class over the prior two years.

Shortly after the fiscal year began, investors became apprehensive that the US Federal Reserve (the Fed) would reduce its asset purchase program, known as quantitative easing (QE), as the US economy improved. Concerned that Fed action would cause interest rates to rise and bond prices to fall, investors began trimming their allocations to fixed income investments, including municipal bonds. The rate of outflows increased dramatically in June following comments made by then-Fed Chairman Ben Bernanke on the timing for tapering QE.

Over the summer of 2013, several high-profile credit events had an adverse impact on the municipal bond market. These included downgrades to the credit ratings of Chicago debt on pension concerns, Detroit filing the largest municipal bankruptcy in US history<sup>4</sup> and increased uncertainty about the financial condition of Puerto Rico.

The market received a two-month reprieve in September when the Fed decided not to reduce QE, although it reversed that decision in December when it announced that it would decrease its asset purchases by \$10 billion per month, beginning in January 2014.<sup>5</sup> A final headwind for the municipal bond market was significant tax-loss selling of municipal bonds in December to offset gains from strong equity returns during 2013.

In the first two months of 2014, the municipal bond market turned positive.

Softer economic data reduced expectations for hawkish Fed action. Relatively high yields on municipal bonds, coupled with higher personal income tax rates and improving municipal fundamentals, drew investors back to the asset class. Net positive fund flows in January and February, combined with limited supply of new issuance, produced strong returns in the final two months of the fiscal year.

During the fiscal year, the largest driver of Trust performance relative to its benchmark was its overweight position in longer-maturity bonds. This position had a negative impact on relative performance as investors sold longer-dated bonds on concerns over rising interest rates. Security selection in the short-to-intermediate segment of the yield curve contributed to relative performance and helped to partially offset the impact of rising rates.

At a sector level, hospitals and special tax revenue bonds were the largest drag on performance relative to the Trust's benchmark. Industrial development revenue bonds and the water and sewer sectors contributed to relative performance. The Trust's underweight position in Puerto Rico bonds also contributed to relative performance, but security selection in bonds issued by the commonwealth offset the positive effect of the allocation.

One important factor affecting the Trust's return relative to its benchmark was its use of structural leverage. The Trust uses leverage because we believe that, over time, leveraging can provide opportunities for additional income and total return for common shareholders. However, the use of leverage also can expose common shareholders to additional volatility. For example, if the prices of securities held by a trust decline, the negative effect of these valuation changes on common share NAV and total return is magnified by the use of leverage. Conversely, leverage may enhance common share returns during periods when the prices of securities held by a trust generally are rising.

During the reporting period, the Trust achieved a leveraged position through the use of inverse floating rate securities and Variable Rate Muni Term Preferred (VMTP) shares. Inverse floating rate securities or Tender Option Bonds (TOBs) are instruments that have an inverse relationship to a referenced interest rate. VMTPs are a variable rate form of preferred stock with a mandatory redemption date. Inverse floating rate securities and VMTPs can be an efficient means to manage duration, yield curve exposure and credit exposure and potentially can enhance yield. At the close of the reporting period, leverage accounted for 37% of the Trust's total assets and added to returns. For more information about the Trust's use of leverage, see the Notes to Financial

Statements later in this report.

As stated earlier, the Trust trades at a market price that may be at a premium or discount to NAV. Throughout and at the end of the reporting period, the Trust traded at a discount to its underlying NAV.

We wish to remind you that the Trust is subject to interest rate risk, meaning when interest rates rise, the value of fixed income securities generally will fall. This risk may be greater in the current market environment because interest rates are at or near historic lows. We are monitoring interest rates and market and economic factors that may impact interest rates, including the potential impact of the Fed's tapering of QE. If interest rates rise, markets may experience increased volatility, which may affect the value and/or liquidity of certain of the Trust's investments or the market price of the Trust's common shares.

Recently published rules implementing section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act may preclude banking entities from sponsoring and/or providing services for TOB trust programs. As a result, the Trust's ability to utilize TOBs for leverage purposes may be adversely affected.

Thank you for investing in Invesco Quality Municipal Income Trust and for sharing our long-term investment horizon.

1 Source: A credit rating is an assessment provided by a nationally recognized statistical rating organization (NRSRO) of the creditworthiness of an issuer with respect to debt obligations, including specific securities, money market instruments or other debts. Ratings are measured on a scale that generally ranges from AAA (highest) to D (lowest); ratings are subject to change without notice. For more information on rating methodologies, please visit the following NRSRO websites: [standardandpoors.com](http://standardandpoors.com) and select Understanding Ratings under Rating Resources on the homepage; [moodys.com](http://moodys.com) and select Rating Methodologies under Research and Ratings on the homepage.

2 Source: Barclays

3 Source: Morningstar

4 Source: Moody's

5 Source: US Federal Reserve

*The views and opinions expressed in management's discussion of Trust performance are those of Invesco Advisers, Inc. These views and opinions are subject to change at any time based on factors such as market and economic conditions. These views and opinions may not be relied upon as investment advice or recommendations, or as an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Trust. Statements of fact are from sources considered reliable, but Invesco Advisers, Inc. makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.*

See important Trust and, if applicable, index disclosures later in this report.

### **Robert Wimmel**

Portfolio manager, is manager of Invesco Quality Municipal Income Trust and is head of Investment

Grade Municipals. He joined Invesco in 2010. Mr. Wimmel was associated with the Trust's previous investment adviser or its investment advisory affiliates from 1996 to 2010 and began managing the Trust in 2009. He earned a BA in anthropology from the University of Cincinnati and an MA in economics from the University of Illinois at Chicago.

### **Thomas Byron**

Portfolio manager, is manager of Invesco Quality Municipal Income Trust. He joined Invesco in 2010.

Mr. Byron was associated with the Trust's previous investment adviser or its investment advisory affiliates from 1981 to 2010 and began managing the Trust in 2009. He earned a BS in finance from Marquette University and an MBA in finance from DePaul University.

### **Robert Stryker**

Chartered Financial Analyst, portfolio manager, is manager of Invesco Quality Municipal Income Trust.

He joined Invesco in 2010. Mr. Stryker was associated with the Trust's previous investment adviser or its investment advisory affiliates from 1994 to 2010 and began managing the Trust in 2009. He earned a BS in finance from the University of Illinois at Chicago.

## Supplemental Information

**Invesco Quality Municipal Income Trust's investment objective is to provide current income which is exempt from federal income tax.**

- n Unless otherwise stated, information presented in this report is as of February 28, 2014, and is based on total net assets applicable to common shares.
- n Unless otherwise noted, all data provided by Invesco.
- n To access your Trust's reports, visit [invesco.com/fundreports](http://invesco.com/fundreports).

## About indexes used in this report

- n The **Barclays Municipal Bond Index** is an unmanaged index considered representative of the tax-exempt bond market.
- n The **S&P Municipal Bond Index** is a broad, market value-weighted index that seeks to measure the performance of the US municipal bond market.
- n The **S&P Municipal Bond 5+ Year Investment Grade Index** is a subset of the broad S&P Municipal Bond Index. This index of market value-weighted investment-grade US municipal bonds seeks to measure the performance of US municipals whose maturities are greater than or equal to 5 years.
- n The **Lipper General & Insured Leveraged Municipal Debt Funds Index** is an unmanaged index considered representative of general and insured leverage municipal debt funds tracked by Lipper. These funds either invest primarily in municipal debt issues rated in the top four credit ratings or invest primarily in municipal debt issues insured as to timely payment. These funds can be leveraged via use of debt, preferred equity, and/or reverse repurchase agreements.
- n The Trust is not managed to track the performance of any particular index, including the index(es) described here, and consequently, the performance of the Trust may deviate significantly from the performance of the index(es).
- n A direct investment cannot be made in an index. Unless otherwise indicated, index results include reinvested dividends, and they do not reflect sales charges. Performance of the peer group, if applicable, reflects trust expenses; performance of a market index does not.

## Other information

- n The returns shown in management's discussion of Trust performance are based on net asset values (NAVs) calculated for shareholder transactions. Generally accepted accounting principles require adjustments to be made to the net assets of the Trust at period end for financial reporting purposes, and as such, the NAVs for shareholder transactions and the returns based on those NAVs may differ from the NAVs and returns reported in the Financial Highlights.

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## **Dividend Reinvestment Plan**

The dividend reinvestment plan (the Plan) offers you a prompt and simple way to reinvest your dividends and capital gains distributions (Distributions) into additional shares of your Invesco closed-end Trust (the Trust). Under the Plan, the money you earn from Distributions will be reinvested automatically in more shares of the Trust, allowing you to potentially increase your investment over time. All shareholders in the Trust are automatically enrolled in the Plan when shares are purchased.

### **Plan benefits**

**n Add to your account:**

You may increase your shares in your Trust easily and automatically with the Plan.

**n Low transaction costs:**

Shareholders who participate in the Plan may be able to buy shares at below-market prices when the Trust is trading at a premium to its net asset value (NAV). In addition, transaction costs are low because when new shares are issued by the Trust, there is no brokerage fee, and when shares are bought in blocks on the open market, the per share fee is shared among all participants.

**n Convenience:**

You will receive a detailed account statement from Computershare Trust Company, N.A. (the Agent), which administers the Plan. The statement shows your total Distributions, date of investment, shares acquired, and price per share, as well as the total number of shares in your reinvestment account. You can also access your account at [invesco.com/us](http://invesco.com/us).

**n Safekeeping:**

The Agent will hold the shares it has acquired for you in safekeeping.

### **Who can participate in the Plan**

If you own shares in your own name, your purchase will automatically enroll you in the Plan. If your shares are held in street name in the name of your brokerage firm, bank, or other financial institution you must instruct that entity to participate on your behalf. If they are unable to participate on your behalf, you may request that they reregister your shares in your own name so that you may enroll in the Plan.

### **How to enroll**

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If you haven't participated in the Plan in the past or chose to opt out, you are still eligible to participate. Enroll by visiting [invesco.com/us](http://invesco.com/us), by calling toll-free 800 341 2929 or by notifying us in writing at Invesco Closed-End Funds, Computershare Trust Company, N.A., P.O. Box 30170, College Station, TX 77842-3170. If you are writing to us, please include the Trust name and account number and ensure that all shareholders listed on the account sign these written instructions. Your participation in the Plan will begin with the next Distribution payable after the Agent receives your authorization, as long as they receive it before the record date, which is generally 10 business days before the Distribution is paid. If your authorization arrives after such record date, your participation in the Plan will begin with the following Distribution.

### **How the Plan works**

If you choose to participate in the Plan, your Distributions will be promptly reinvested for you, automatically increasing your shares. If the Trust is trading at a share price that is equal to its NAV, you'll pay that amount for your reinvested shares. However, if the Trust is trading above or below NAV, the price is determined by one of two ways:

1. **Premium:** If the Trust is trading at a premium (a market price that is higher than its NAV) you'll pay either the NAV or 95 percent of the market price, whichever is greater. When the Trust trades at a premium, you may pay less for your reinvested shares than an investor purchasing shares on the stock exchange. Keep in mind, a portion of your price reduction may be taxable because you are receiving shares at less than market price.
2. **Discount:** If the Trust is trading at a discount (a market price that is lower than its NAV) you'll pay the market price for your reinvested shares.

### **Costs of the Plan**

There is no direct charge to you for reinvesting Distributions because the Plan's fees are paid by the Trust. If the Trust is trading at or above its NAV, your new shares are issued directly by the Trust and there are no brokerage charges or fees. However, if the Trust is trading at a discount, the shares are purchased on the open market, and you will pay your portion of any per share fees. These per share fees are typically less than the standard brokerage charges for individual transactions because shares are purchased for all participants in blocks, resulting in lower fees for each individual participant. Any service or per share fees are added to the purchase price. Per share fees include any applicable brokerage commissions the Agent is required to pay.

### **Tax implications**

The automatic reinvestment of Distributions does not relieve you of any income tax that may be due on Distributions. You will receive tax information annually to help you prepare your federal income tax return.

*Invesco does not offer tax advice. The tax information contained herein is general and is not exhaustive by nature. It was not intended or written to be used, and it cannot be used, by any taxpayer for avoiding penalties that may be imposed on the taxpayer under US federal tax laws. Federal and state tax laws are complex and constantly changing. Shareholders should always consult a legal or tax adviser for information concerning their individual situation.*



### **How to withdraw from the Plan**

You may withdraw from the Plan at any time by calling 800 341 2929, by visiting [invesco.com/us](http://invesco.com/us) or by writing to Invesco Closed-End Funds, Computershare Trust Company, N.A., P.O. Box 30170, College Station, TX 77842-3170. Simply indicate that you would like to withdraw from the Plan, and be sure to include your Trust name and account number. Also, ensure that all shareholders listed on the account sign these written instructions. If you withdraw, you have three options with regard to the shares held in the Plan:

1. If you opt to continue to hold your non-certificated whole shares (Investment Plan Book Shares), they will be held by the Agent electronically as Direct Registration Book-Shares (Book-Entry Shares) and fractional shares will be sold at the then-current market price. Proceeds will be sent via check to your address of record after deducting applicable fees, including per share fees such as any applicable brokerage commissions the Agent is required to pay.
2. If you opt to sell your shares through the Agent, we will sell all full and fractional shares and send the proceeds via check to your address of record after deducting a \$2.50 service fee and per share fees. Per share fees include any applicable brokerage commissions the Agent is required to pay.
3. You may sell your shares through your financial adviser through the Direct Registration System (DRS). DRS is a service within the securities industry that allows Trust shares to be held in your name in electronic format. You retain full ownership of your shares, without having to hold a share certificate. You should contact your financial adviser to learn more about any restrictions or fees that may apply.

The Trust and Computershare Trust Company, N.A. may amend or terminate the Plan at any time. Participants will receive at least 30 days written notice before the effective date of any amendment. In the case of termination, Participants will receive at least 30 days written notice before the record date for the payment of any such Distributions by the Trust. In the case of amendment or termination necessary or appropriate to comply with applicable law or the rules and policies of the Securities and Exchange Commission or any other regulatory authority, such written notice will not be required.

**To obtain a complete copy of the current Dividend Reinvestment Plan, please call our Client Services department at 800 341 2929 or visit [invesco.com/us](http://invesco.com/us).**

**Schedule of Investments**

February 28, 2014

	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Principal Amount (000)</b>	<b>Value</b>
<b>Municipal Obligations 158.00%</b>				
<b>Alabama 0.80%</b>				
Birmingham (City of) Airport Authority; Series 2010, RB (INS AGM <sup>b</sup> )	5.25%	07/01/30	\$ 2,100	\$ 2,251,116
Birmingham (City of) Water Works Board; Series 2011, Water RB (INS AGM <sup>b</sup> ) <sup>(c)</sup>	5.00%	01/01/36	3,060	3,227,351
				5,478,467
<b>Alaska 0.64%</b>				
Alaska (State of) Industrial Development & Export Authority (Providence Health Services); Series 2011 A, RB <sup>(c)</sup>	5.50%	10/01/41	4,065	4,384,753
<b>Arizona 3.71%</b>				
Arizona (State of) Health Facilities Authority (Phoenix Children s Hospital); Series 2012, Ref. Hospital System RB	5.00%	02/01/42	2,050	2,051,251
Arizona (State of) Transportation Board; Series 2011 A, Ref. Sub. Highway RB <sup>(c)</sup>	5.00%	07/01/36	3,450	3,718,617
Arizona (State of); Series 2008 A, COP (INS AGM <sup>b</sup> )	5.00%	09/01/24	1,995	2,115,298
Maricopa County Pollution Control Corp. (Arizona Public Service Co. Palo Verde); Series 2009 A, Ref. PCR <sup>(d)</sup>	6.00%	05/01/14	1,475	1,488,378
Mesa (City of); Series 2013, Excise Tax RB <sup>(c)</sup>	5.00%	07/01/32	7,600	8,266,216
Phoenix (City of) Industrial Development Authority (Rowan University); Series 2012, Lease RB	5.00%	06/01/42	2,780	2,831,569
Pima (County of) Industrial Development Authority (Edkey Charter Schools); Series 2013, Ref. Education Facility RB	6.00%	07/01/33	1,000	947,150
Pima (County of) Industrial Development Authority (Tucson Electric Power Co.); Series 2010 A, IDR	5.25%	10/01/40	2,525	2,598,503
Yuma (City of) Industrial Development Authority (Regional Medical Center); Series 2014 A, Hospital RB	5.00%	08/01/20	500	566,200
Series 2014 A, Hospital RB	5.00%	08/01/21	800	897,624
				25,480,806
<b>California 23.88%</b>				
Alhambra Unified School District (Election of 2004); Series 2009 B, Unlimited Tax CAB GO Bonds (INS AGC <sup>b</sup> ) <sup>(e)</sup>	0.00%	08/01/35	3,570	1,161,535

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Series 2009 B, Unlimited Tax CAB GO Bonds (INS AGC <sup>(b)</sup> )(e)	0.00%	08/01/36	5,770	1,773,698
Bay Area Toll Authority (San Francisco Bay Area); Series 2007 F, Toll Bridge RB <sup>(d)(f)</sup>	5.00%	04/01/17	1,000	1,138,550
Beverly Hills Unified School District (Election of 2008); Series 2009, Unlimited Tax CAB GO Bonds <sup>(e)</sup>	0.00%	08/01/26	1,390	880,259
Series 2009, Unlimited Tax CAB GO Bonds <sup>(e)</sup>	0.00%	08/01/31	2,680	1,257,510
California (State of) Health Facilities Financing Authority (Cedars-Sinai Medical Center); Series 2005, Ref. RB	5.00%	11/15/34	1,700	1,783,844
California (State of) Health Facilities Financing Authority (City of Hope); Series 2012 A, RB	5.00%	11/15/32	3,500	3,694,495
California (State of) Health Facilities Financing Authority (Kaiser Permanente); Series 2006 A, RB	5.25%	04/01/39	2,000	2,031,940
California (State of) Pollution Control Finance Authority; Series 2012, Water Furnishing RB <sup>(g)(h)</sup>	5.00%	07/01/27	1,230	1,276,642
Series 2012, Water Furnishing RB <sup>(g)(h)</sup>	5.00%	07/01/30	1,450	1,474,635
Series 2012, Water Furnishing RB <sup>(g)(h)</sup>	5.00%	07/01/37	3,195	3,173,018
California (State of) Public Works Board (Department of Mental Health Coalinga State Hospital); Series 2004 A, Lease RB <sup>(d)(f)</sup>	5.00%	06/01/14	5,000	5,062,850
California (State of) Public Works Board (Various Capital); Series 2013 I, Lease RB	5.00%	11/01/20	1,000	1,191,560
California (State of) Statewide Communities Development Authority (California Baptist University); Series 2007 A, RB	5.40%	11/01/27	4,000	3,890,440
California (State of) Statewide Communities Development Authority (John Muir Health); Series 2006 A, RB	5.00%	08/15/28	1,015	1,083,644
Series 2006 A, RB	5.00%	08/15/32	8,000	8,161,360

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	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>California (continued)</b>				
California (State of);				
Series 2012, Ref. Unlimited Tax GO Bonds	5.00%	02/01/32	\$ 2,600	\$ 2,818,192
Series 2012, Various Purpose Unlimited Tax GO Bonds	5.25%	04/01/35	4,305	4,807,652
Series 2012, Various Purpose Unlimited Tax GO Bonds	5.00%	09/01/36	2,460	2,640,515
California Infrastructure & Economic Development Bank (The Scripps Research Institute); Series 2005 A, RB				
	5.00%	07/01/29	5,000	5,239,400
California Infrastructure & Economic Development Bank; Series 2003 A, First Lien Bay Area Toll Bridges Seismic Retrofit RB <sup>(c)(d)(f)</sup>				
	5.00%	01/01/28	5,000	6,109,850
Clovis Unified School District (Election of 2004); Series 2004 A, Unlimited Tax CAB GO Bonds (INS NATL <sup>(h)</sup> ) <sup>(e)</sup>				
	0.00%	08/01/29	695	342,016
Dry Creek Joint Elementary School District (Election of 2008 Measure E);				
Series 2009, Unlimited Tax CAB GO Bonds <sup>(e)</sup>	0.00%	08/01/40	4,685	1,121,261
Series 2009, Unlimited Tax CAB GO Bonds <sup>(e)</sup>	0.00%	08/01/41	4,965	1,122,686
Series 2009, Unlimited Tax CAB GO Bonds <sup>(e)</sup>	0.00%	08/01/42	5,265	1,121,498
Series 2009, Unlimited Tax CAB GO Bonds <sup>(e)</sup>	0.00%	08/01/43	3,460	695,979
Series 2009, Unlimited Tax CAB GO Bonds <sup>(e)</sup>	0.00%	08/01/44	4,825	887,028
East Bay Municipal Utility District; Series 2010 A, Ref. Sub. Water System RB <sup>(c)</sup>				
	5.00%	06/01/36	4,770	5,252,104
El Segundo Unified School District (Election of 2008);				
Series 2009 A, Unlimited Tax CAB GO Bonds <sup>(e)</sup>	0.00%	08/01/31	1,775	755,831
Series 2009 A, Unlimited Tax CAB GO Bonds <sup>(e)</sup>	0.00%	08/01/32	1,980	785,684
Foothill-Eastern Transportation Corridor Agency; Subseries 2014 B-2, Ref. Toll Road RB <sup>(d)</sup>				
	5.00%	01/15/20	5,000	5,495,200
Golden State Tobacco Securitization Corp.;				
Series 2005 A, Enhanced Tobacco Settlement Asset-Backed RB				
	5.00%	06/01/45	1,500	1,486,995
Series 2013 A, Enhanced Tobacco Settlement Asset-Backed RB				
	5.00%	06/01/30	3,250	3,456,505
Los Angeles (City of) Department of Airports (Los Angeles International Airport); Series 2010 A, Sr. RB <sup>(c)</sup>				
	5.00%	05/15/35	6,000	6,396,540
Los Angeles (City of) Department of Water & Power; Series 2012 A, Water System RB <sup>(c)</sup>				
	5.00%	07/01/43	6,510	6,993,823
Los Angeles (City of); Series 2004 A, Unlimited Tax GO Bonds <sup>(d)(f)</sup>				
	5.00%	09/01/14	6,000	6,148,680
Menifee Union School District (Election of 2008); Series 2009 C, Unlimited Tax CAB GO Bonds (INS AGC <sup>(h)</sup> ) <sup>(e)</sup>				
	0.00%	08/01/34	1,985	678,552
Milpitas (City of) Redevelopment Agency (Redevelopment Area No. 1); Series 2003, Tax Allocation RB (INS NATL <sup>(h)</sup> )				
	5.00%	09/01/22	3,040	3,050,640
Moreland School District (Crossover); Series 2006 C, Ref. Unlimited Tax CAB GO Bonds (INS AMBAC <sup>(h)</sup> ) <sup>(e)</sup>				
	0.00%	08/01/29	3,955	1,894,208
	0.00%	08/01/28	2,875	1,510,899

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Oak Grove School District (Election of 2008); Series 2009 A, Unlimited Tax CAB GO Bonds <sup>(e)</sup>				
Oxnard (City of) Finance Authority (Redwood Trunk Sewer & Headworks); Series 2004 A, Wastewater RB (INS NATL) <sup>(h)</sup>	5.00%	06/01/29	4,000	4,007,280
Patterson Joint Unified School District (Election of 2008); Series 2009 B, Unlimited Tax CAB GO Bonds (INS AGM) <sup>(e)</sup>	0.00%	08/01/36	4,025	1,268,760
Series 2009 B, Unlimited Tax CAB GO Bonds (INS AGM) <sup>(e)</sup>	0.00%	08/01/37	1,590	472,802
Poway Unified School District (Election of 2008 School Facilities Improvement District No. 2007-1); Series 2009 A, Unlimited Tax CAB GO Bonds <sup>(e)</sup>	0.00%	08/01/27	4,005	2,227,661
Series 2009 A, Unlimited Tax CAB GO Bonds <sup>(e)</sup>	0.00%	08/01/31	5,000	2,173,000
Regents of the University of California; Series 2009 O, General RB	5.25%	05/15/39	500	560,685
Series 2013 AI, General RB <sup>(c)</sup>	5.00%	05/15/33	4,000	4,433,960
San Diego (County of) Regional Airport Authority; Series 2010 A, Sub. RB	5.00%	07/01/34	875	911,347
San Diego Community College District (Election of 2006); Series 2011, Unlimited Tax GO Bonds <sup>(c)</sup>	5.00%	08/01/36	6,790	7,356,014
San Francisco (City & County of) Airport Commission (San Francisco International Airport); Series 2011 F, Ref. Second Series RB <sup>(g)</sup>	5.00%	05/01/25	1,000	1,107,460
Series 2011 F, Ref. Second Series RB <sup>(g)</sup>	5.00%	05/01/26	1,995	2,186,241
Series 2011 G, Ref. Second Series RB	5.25%	05/01/27	5,000	5,745,150

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	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>California (continued)</b>				
San Francisco (City & County of) Public Utilities Commission (Water System Improvement Program); Subseries 2011 A, Water RB <sup>(c)</sup>	5.00%	11/01/36	\$ 4,320	\$ 4,660,589
San Francisco (City & County of) Public Utilities Commission; Series 2009 A, Water RB	5.00%	11/01/27	2,500	2,870,025
San Jose Evergreen Community College District (Election of 2004); Series 2008 B, Unlimited Tax CAB GO Bonds (INS AGM <sup>h</sup> ) <sup>(e)</sup>	0.00%	09/01/30	3,300	1,552,584
Santa Margarita Water District (Community Facilities District No. 2013-1); Series 2013, Special Tax RB	5.50%	09/01/32	615	638,825
Twin Rivers Unified School District; Series 2009, Unlimited Tax CAB GO BAN <sup>(e)</sup>	0.00%	04/01/14	3,050	3,049,451
William S. Hart Union High School District (Election of 2008);				
Series 2009 A, Unlimited Tax CAB GO Bonds <sup>(e)</sup>	0.00%	08/01/32	17,570	6,762,342
Series 2009 A, Unlimited Tax CAB GO Bonds <sup>(e)</sup>	0.00%	08/01/33	5,725	2,064,607
				163,896,501
<b>Colorado 3.27%</b>				
Colorado (State of) Educational & Cultural Facilities Authority (Peak to Peak Charter School); Series 2004, Ref. & Improvement Charter School RB (INS SGI <sup>h</sup> )	5.25%	08/15/34	3,585	3,597,655
Colorado (State of) Health Facilities Authority (Catholic Health Initiatives); Series 2009 A, RB	5.00%	07/01/39	4,000	4,072,880
Colorado (State of) Health Facilities Authority (SCL Health System); Series 2013 A, RB <sup>(c)</sup>	5.50%	01/01/35	3,900	4,323,306
Colorado (State of) Regional Transportation District (Denver Transit Partners Eagle P3); Series 2010, Private Activity RB	6.00%	01/15/41	3,200	3,365,632
Denver (City & County of); Series 2013 B, Sub. Airport System RB	5.25%	11/15/32	5,000	5,454,500
Denver (City of) Convention Center Hotel Authority; Series 2006, Ref. Sr. RB (INS SGI <sup>h</sup> )	5.00%	12/01/30	1,590	1,611,926
				22,425,899
<b>Connecticut 0.64%</b>				
Connecticut (State of) Health & Educational Facilities Authority (Hartford Healthcare); Series 2011 A, RB	5.00%	07/01/41	4,300	4,363,038
<b>Delaware 0.14%</b>				
New Castle (County of) (Newark Charter School, Inc.); Series 2006, RB	5.00%	09/01/36	1,000	986,040
<b>District of Columbia 3.22%</b>				
District of Columbia (Provident Group Howard Properties LLC); Series 2013, Student Dormitory RB	5.00%	10/01/45	1,910	1,655,206
District of Columbia Water & Sewer Authority;	5.00%	10/01/27	575	643,672

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Series 2008 A, Ref. Public Utility Sub. Lien RB (INS AGC <sup>(b)</sup> )				
Series 2008 A, Ref. Public Utility Sub. Lien RB (INS AGC <sup>(b)</sup> )	5.00%	10/01/28	265	295,931
District of Columbia;				
Series 2006 B-1, Ballpark RB (INS NATL <sup>(b)</sup> )	5.00%	02/01/31	10,000	10,119,400
Series 2008 E, Unlimited Tax GO Bonds (INS BHAC <sup>(b)(c)</sup> )	5.00%	06/01/26	380	433,075
Series 2008 E, Unlimited Tax GO Bonds (INS BHAC <sup>(b)(c)</sup> )	5.00%	06/01/27	380	425,923
Series 2008 E, Unlimited Tax GO Bonds (INS BHAC <sup>(b)(c)</sup> )	5.00%	06/01/28	760	844,474
Series 2009 A, Sec. Income Tax RB <sup>(c)</sup>	5.25%	12/01/27	3,040	3,512,690
Metropolitan Washington Airports Authority;				
Series 2004 C-1, Ref. Airport System RB (INS AGM <sup>(b)(g)</sup> )	5.00%	10/01/20	3,000	3,073,710
Series 2009 B, Airport System RB (INS BHAC <sup>(b)</sup> )	5.00%	10/01/29	1,000	1,106,670
				22,110,751
<b>Florida 15.02%</b>				
Alachua (County of) Health Facilities Authority (Terraces at Bonita Springs);				
Series 2011, TEMPS-70 <sup>SM</sup> RB	7.13%	11/15/16	1,250	1,253,463
Series 2011 A, RB	8.13%	11/15/41	1,000	1,102,300
Broward (County of);				
Series 2012 A, Water & Sewer Utility RB	5.00%	10/01/37	2,145	2,323,099
Series 2013 C, Airport System RB	5.25%	10/01/38	2,500	2,677,850

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	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>Florida (continued)</b>				
Citizens Property Insurance Corp.;				
Series 2012 A-1, Sr. Sec. RB	5.00%	06/01/19	\$ 2,950	\$ 3,413,209
Series 2012 A-1, Sr. Sec. RB	5.00%	06/01/21	5,110	5,909,664
Collier (County of) Industrial Development Authority (The Arlington of Naples); Series 2014 B-2, TEMPS-70 <sup>SM</sup> Continuing Care Community RB <sup>(h)</sup>				
	6.50%	05/15/20	2,320	2,322,923
Davie (Town of) (Nova Southeastern University);				
Series 2013 A, Educational Facilities RB	6.00%	04/01/42	1,250	1,335,188
Florida (State of) Ports Financing Commission (State Transportation Trust Fund);				
Series 2011 B, Ref. RB <sup>(g)</sup>	5.13%	06/01/27	995	1,097,017
Highlands (County of) Health Facilities Authority (Adventist Health System/Sunbelt Obligated Group);				
Series 2006 C, RB	5.25%	11/15/36	3,900	4,121,130
Series 2006 C, RB <sup>(d)(f)</sup>	5.25%	11/15/16	100	112,940
Martin (County of) Health Facilities Authority (Martin Memorial Medical Center);				
Series 2012, RB	5.00%	11/15/27	4,630	4,810,524
Miami-Dade (County of) (Building Better Communities Program); Series 2009 B-1, Unlimited Tax GO Bonds				
	6.00%	07/01/38	3,000	3,394,380
Miami-Dade (County of) (Miami International Airport-Hub of the Americas); Series 2009 B, Aviation RB (INS AGC <sup>(b)</sup> )				
	5.00%	10/01/25	2,850	3,104,191
Miami-Dade (County of) Educational Facilities Authority (University of Miami); Series 2008 A, RB (INS BHAC <sup>(b)</sup> )				
	5.50%	04/01/38	1,300	1,384,864
Miami-Dade (County of) Expressway Authority;				
Series 2010 A, Ref. Toll System RB	5.00%	07/01/40	2,500	2,564,675
Miami-Dade (County of) Health Facilities Authority (Miami Children's Hospital); Series 2010 A, Ref. Hospital RB				
	6.00%	08/01/30	1,195	1,320,642
Miami-Dade (County of);				
Series 2005 A, Sub. Special Obligation RB (INS NATL <sup>(b)</sup> )				
	5.00%	10/01/30	2,995	3,128,307
Series 2012, Transit System Sales Surtax RB	5.00%	07/01/33	2,500	2,678,450
Series 2012 A, Ref. Aviation RB <sup>(g)</sup>	5.00%	10/01/28	1,000	1,061,240
Series 2012 B, Ref. Sub. Special Obligation RB	5.00%	10/01/32	1,040	1,094,465
Series 2012 B, Ref. Sub. Special Obligation RB	5.00%	10/01/35	1,640	1,704,354
Series 2012 B, Ref. Sub. Special Obligation RB (INS AGM <sup>(b)</sup> )	5.00%	10/01/35	1,750	1,846,810
Orange (County of); Series 2012 B, Ref. Sales Tax RB <sup>(c)</sup>	5.00%	01/01/31	7,855	8,619,841
Palm Beach (County of) Health Facilities Authority (Jupiter Medical Center, Inc.);				
Series 2013 A, Hospital RB	5.00%	11/01/43	2,030	2,031,279
Palm Beach (County of) Solid Waste Authority;				
Series 2009, Improvement RB (INS BHAC <sup>(b)</sup> )	5.50%	10/01/23	2,700	3,252,528
Series 2011, Ref. RB <sup>(c)</sup>	5.00%	10/01/31	3,330	3,553,909



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South Miami (City of) Health Facilities Authority (Baptist Health South Florida Obligated Group);				
Series 2007, Hospital RB <sup>(c)</sup>	5.00%	08/15/42	12,000	12,199,920
Series 2007, Hospital RB	5.00%	08/15/42	6,000	6,099,960
Series 2007, Hospital RB <sup>(c)</sup>	5.00%	08/15/42	6,000	6,099,960
St. Johns (County of) Industrial Development Authority (Glenmoor);				
Series 2006 A, Health Care RB <sup>(i)</sup>	5.25%	01/01/26	1,000	435,100
Series 2006 A, Health Care RB <sup>(i)</sup>	5.38%	01/01/40	4,250	1,849,175
Sumter (County of) Industrial Development Authority (Central Florida Health Alliance);				
Series 2014 A, Hospital RB	5.00%	07/01/25	500	526,180
Series 2014 A, Hospital RB	5.00%	07/01/27	500	516,860
Tampa (City of) Sports Authority; Series 2005, Ref. Sales Tax RB (INS AGM <sup>h</sup> )				
	5.00%	01/01/26	1,545	1,594,595
Tampa Bay Water; Series 2001 A, Ref. & Improvement Utility System RB (INS NATL <sup>h</sup> )				
	6.00%	10/01/29	2,000	2,556,360
				103,097,352
<b>Georgia 1.94%</b>				
Atlanta (City of); Series 2004 J, Airport Passenger Facility Charge & Sub. Lien General RB (INS AGM <sup>h</sup> )				
	5.00%	01/01/34	4,000	4,118,800
Burke (County of) Development Authority (Oglethorpe Power Vogtle); Series 2013 A, PCR <sup>(d)</sup>				
	2.40%	04/01/20	3,200	3,177,440
Georgia (State of) Road & Tollway Authority; Series 2003, RB				
	5.00%	10/01/23	6,000	6,024,840
				13,321,080

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	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>Hawaii 1.68%</b>				
Hawaii (State of) Department of Budget & Finance (Hawaii Pacific Health Obligated Group);				
Series 2010 B, Special Purpose RB	5.75%	07/01/40	\$ 1,630	\$ 1,741,215
Series 2013 A, Ref. Special Purpose RB	5.50%	07/01/43	2,000	2,127,500
Hawaii (State of) Department of Transportation (Airports Division); Series 2013, Lease Revenue COP <sup>(g)</sup>				
	5.00%	08/01/20	3,055	3,417,292
Hawaii (State of); Series 2010 A, Airport System RB				
	5.00%	07/01/39	4,100	4,261,048
				11,547,055
<b>Idaho 0.72%</b>				
Idaho (State of) Housing & Finance Association (Federal Highway Trust Fund); Series 2008 A, Grant & RAB (INS AGC <sup>(h)</sup> )				
	5.25%	07/15/23	2,600	2,951,390
Idaho (State of) Housing & Finance Association; Series 2000 E, Single Family Mortgage RB <sup>(g)</sup>				
	6.00%	01/01/32	340	340,439
Regents of the University of Idaho; Series 2011, Ref. General RB <sup>(d)</sup>				
	5.25%	04/01/21	1,440	1,673,294
				4,965,123
<b>Illinois 16.61%</b>				
Bourbonnais (Village of) (Olivet Nazarene University);				
Series 2013, Industrial Project RB	5.50%	11/01/42	1,000	1,023,420
Series 2013, Industrial Project RB	5.00%	11/01/44	750	722,070
Chicago (City of) (Midway Airport); Series 2013 B, Ref. Second Lien RB				
	5.00%	01/01/21	3,200	3,718,688
Chicago (City of) (O Hare International Airport); Series 2005 A, Third Lien General Airport RB (INS NATL <sup>(h)</sup> )				
	5.25%	01/01/26	3,000	3,178,440
Chicago (City of) Board of Education; Series 2011 A, Unlimited Tax GO Bonds <sup>(c)</sup>				
	5.00%	12/01/41	5,730	5,708,226
Series 2013 A3, Ref. Floating Rate Unlimited Tax GO Bonds <sup>(i)</sup>				
	0.86%	03/01/36	1,000	1,000,000
Chicago (City of) Park District; Series 2004 A, Limited Tax GO Bonds (INS AMBAC <sup>(h)</sup> )				
	5.00%	01/01/27	3,600	3,647,160
Chicago (City of) Transit Authority (FTA Section 5309 Fixed Guideway Modernization Formula Funds);				
Series 2008, Capital Grant Receipts RB (INS AGC <sup>(h)</sup> )	5.25%	06/01/23	1,070	1,143,220
Series 2008, Capital Grant Receipts RB (INS AGC <sup>(h)</sup> )	5.25%	06/01/24	1,035	1,095,620
Chicago (City of) Transit Authority; Series 2011, Sales Tax Receipts RB <sup>(c)</sup>				
	5.25%	12/01/36	3,970	4,198,871
Series 2011, Sales Tax Receipts RB <sup>(c)</sup>	5.25%	12/01/36	5,000	5,288,250
Chicago (City of); Series 2007 A, Ref. Project Unlimited Tax GO Bonds (INS AGM <sup>(h)</sup> )				
	5.00%	01/01/37	4,350	4,375,447
Series 2012, Second Lien Wastewater Transmission RB	5.00%	01/01/42	2,030	2,062,115
Cook (County of) Forest Preserve District; Series 2012 B, Ref. Limited Tax GO Bonds <sup>(c)</sup>				
	5.00%	12/15/32	2,540	2,718,613

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Series 2012 B, Ref. Limited Tax GO Bonds <sup>(c)</sup> DeKalb County Community Unit School District No. 428;	5.00%	12/15/37	2,540	2,685,517
Series 2008, Unlimited Tax GO Bonds (INS AGM <sup>b</sup> ) Illinois (State of) Finance Authority (Benedictine University);	5.00%	01/01/23	1,435	1,601,001
Series 2013 A, RB	5.00%	10/01/20	1,000	1,099,000
Series 2013 A, RB Illinois (State of) Finance Authority (Little Company of Mary Hospital & Health Care Centers); Series 2010, RB	5.38%	10/01/22	1,180	1,280,619
Illinois (State of) Finance Authority (Northwestern Memorial Hospital);	5.38%	08/15/40	2,875	2,957,829
Series 2009 B, RB	5.00%	08/15/16	830	919,134
Series 2009 B, RB Illinois (State of) Finance Authority (OSF Healthcare System); Series 2010 A, Ref. RB	5.38%	08/15/24	1,900	2,155,588
Illinois (State of) Finance Authority (Peace Village); Series 2013, RB	6.00%	05/15/39	2,620	2,882,891
Illinois (State of) Finance Authority (Resurrection Health Care Corp.); Series 2009, Ref. RB	6.25%	08/15/28	1,000	1,018,550
Illinois (State of) Finance Authority (Rush University Medical Center Obligated Group); Series 2009 A, RB	6.13%	05/15/25	3,505	3,866,471
	7.25%	11/01/38	1,460	1,729,501

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	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>Illinois (continued)</b>				
Illinois (State of) Finance Authority (Swedish Covenant Hospital);				
Series 2010 A, Ref. RB	5.75%	08/15/29	\$ 5,020	\$ 5,353,027
Series 2010 A, Ref. RB	6.00%	08/15/38	2,620	2,757,759
Illinois (State of) Finance Authority (The University of Chicago Medical Center);				
Series 2011 C, RB <sup>(c)</sup>	5.50%	08/15/41	1,440	1,536,322
Illinois (State of) Finance Authority (University of Chicago); Series 2013 A, RB <sup>(c)</sup>	5.25%	10/01/52	3,390	3,571,297
Illinois (State of) Metropolitan Pier & Exposition Authority (McCormick Place Expansion);				
Series 2002 A, Conv. CAB RB (INS NATL <sup>(h)</sup> ) <sup>(k)</sup>	5.75%	06/15/26	8,480	8,045,061
Series 2010 A, RB	5.50%	06/15/50	2,300	2,374,451
Series 2012 B, RB <sup>(c)</sup>	5.00%	12/15/28	5,565	6,104,638
Illinois (State of) Toll Highway Authority; Series 2013 A, RB <sup>(c)</sup>	5.00%	01/01/38	10,050	10,468,482
Illinois (State of);				
Series 2013, Unlimited Tax GO Bonds	5.25%	07/01/29	1,960	2,105,804
Series 2014, Unlimited Tax GO Bonds	5.00%	02/01/21	2,250	2,572,852
Railsplitter Tobacco Settlement Authority; Series 2010, RB	5.50%	06/01/23	4,275	4,942,156
Schaumburg (Village of); Series 2004 B, Unlimited Tax GO Bonds <sup>(d)(f)</sup>	5.25%	12/01/14	2,000	2,077,400
				113,985,490
<b>Indiana 3.84%</b>				
Indiana (State of) Finance Authority (Clarion Health Obligated Group); Series 2006 A, Hospital RB	5.25%	02/15/40	3,595	3,645,761
Indiana (State of) Finance Authority (CWA Authority); Series 2011 B, Second Lien Wastewater Utility RB	5.25%	10/01/31	3,000	3,285,480
Indiana (State of) Finance Authority (Ohio River Bridges East End Crossing);				
Series 2013, Private Activity RB <sup>(g)</sup>	5.00%	07/01/40	3,480	3,484,907
Series 2013 A, Private Activity RB <sup>(g)</sup>	5.00%	07/01/35	500	510,600
Indiana (State of) Finance Authority (Ohio Valley Electric Corp.); Series 2012 A, Midwestern Disaster Relief RB	5.00%	06/01/39	2,690	2,607,256
Indiana (State of) Municipal Power Agency; Series 2013 A, Power Supply System RB	5.25%	01/01/33	1,000	1,097,810
Indianapolis Local Public Improvement Bond Bank;				
Series 2011 K, RB	5.00%	06/01/27	3,000	3,275,700
Series 2013 F, RB <sup>(c)</sup>	5.00%	02/01/30	4,500	4,997,070
Rockport (City of) (Indiana Michigan Power Co.); Series 2009 B, Ref. PCR <sup>(d)</sup>	6.25%	06/02/14	1,860	1,886,077
	5.88%	01/01/24	1,500	1,563,015

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Valparaiso (City of) (Pratt Paper, LLC); Series 2013,  
Exempt Facilities RB<sup>(g)</sup>

26,353,676

**Iowa 1.50%**

Iowa (State of) (IJOBS Program);

Series 2009 A, Special Obligation RB <sup>(c)(1)</sup>	5.00%	06/01/25	4,795	5,536,978
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Series 2009 A, Special Obligation RB <sup>(c)(1)</sup>	5.00%	06/01/26	3,595	4,151,290
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Iowa (State of) Finance Authority (Alcoa Inc.);

Series 2012, Midwestern Disaster Area RB	4.75%	08/01/42	695	624,145
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10,312,413

**Kansas 0.49%**

Kansas (State of) Development Finance Authority  
(Adventist Health System/Sunbelt Obligated Group);

Series 2009 C, Hospital RB	5.50%	11/15/29	1,655	1,844,481
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Wichita (City of) (Presbyterian Manors, Inc.);

Series 2013 IV-A, Health Care Facilities RB	6.38%	05/15/43	1,500	1,527,780
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3,372,261

**Kentucky 2.28%**

Kentucky (State of) Economic Development Finance  
Authority (Owensboro Medical Health System, Inc.);

Series 2010 A, Hospital RB	6.38%	06/01/40	1,625	1,709,419
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Series 2010 A, Hospital RB	6.50%	03/01/45	2,050	2,180,482
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Kentucky (State of) Public Transportation Infrastructure  
Authority (Downtown Crossing); Series 2013 A, Sub.

Toll Revenue BAN	5.00%	07/01/17	3,000	3,353,940
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See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>Kentucky (continued)</b>				
Kentucky (State of) Turnpike Authority (Revitalization); Series 2012 A, Economic Development Road RB	5.00%	07/01/28	\$ 1,860	\$ 2,103,344
Louisville (City of) & Jefferson (County of) Metropolitan Government (Louisville Gas & Electric Co.); Series 2005 A, PCR <sup>(d)</sup>	2.20%	08/01/19	1,000	1,019,780
Louisville (City of) & Jefferson (County of) Metropolitan Government (Norton Healthcare, Inc.); Series 2013 A, Health System RB	5.50%	10/01/33	3,000	3,207,360
Warren (County of) (Bowling Green-Warren County Community Hospital Corp.); Series 2013, Ref. Hospital RB	5.00%	04/01/35	2,000	2,076,880
				15,651,205
<b>Louisiana 1.99%</b>				
Lafayette (City of) Public Trust Financing Authority (Ragin Cajun Facilities, Inc. Housing & Parking); Series 2010, RB (INS AGM <sup>b</sup> )	5.25%	10/01/30	2,450	2,651,635
Louisiana (State of) Energy & Power Authority (LEPA Unit No. 1); Series 2013 A, Power Project RB (INS AGM <sup>b</sup> )	5.25%	06/01/28	2,000	2,250,220
Series 2013 A, Power Project RB (INS AGM <sup>b</sup> )	5.25%	06/01/31	2,000	2,190,920
St. John the Baptist (Parish of) (Marathon Oil Corp.); Series 2007 A, RB	5.13%	06/01/37	2,265	2,275,600
Tobacco Settlement Financing Corp.; Series 2013 A, Ref. Asset-Backed RB	5.50%	05/15/30	770	794,224
Series 2013 A, Ref. Asset-Backed RB	5.25%	05/15/31	770	781,242
Series 2013 A, Ref. Asset-Backed RB	5.25%	05/15/32	1,465	1,484,880
Series 2013 A, Ref. Asset-Backed RB	5.25%	05/15/33	1,235	1,249,277
				13,677,998
<b>Maine 0.33%</b>				
Maine (State of) Turnpike Authority; Series 2012 A, RB	5.00%	07/01/37	2,100	2,270,037
<b>Maryland 1.18%</b>				
Baltimore (County of) (Oak Crest Village Inc. Facility); Series 2007 A, RB	5.00%	01/01/37	2,495	2,520,499
Maryland (State of) Health & Higher Educational Facilities Authority (MedStar Health); Series 2004, Ref. RB	5.38%	08/15/24	3,000	3,070,890
Maryland Economic Development Corp. (Terminal); Series 2010 B, RB	5.75%	06/01/35	2,440	2,512,395
				8,103,784
<b>Massachusetts 4.70%</b>				
Massachusetts (State of) Department of Transportation (Contract Assistance); Series 2010 B, Metropolitan Highway Systems RB	5.00%	01/01/35	2,010	2,140,067
	5.00%	10/01/32	2,350	2,556,683

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Massachusetts (State of) Development Finance Agency (Berklee College of Music); Series 2007 A, RB				
Massachusetts (State of) Development Finance Agency (Harvard University); Series 2009 A, RB <sup>(c)</sup>	5.50%	11/15/36	9,565	10,827,484
Massachusetts (State of) Development Finance Agency (Massachusetts Institute of Technology); Series 2009 O, RB <sup>(c)</sup>	5.50%	07/01/36	3,100	3,478,262
Massachusetts (State of) Development Finance Agency (Partners Healthcare); Series 2012 L, RB	5.00%	07/01/31	5,620	6,057,573
Massachusetts (State of) Development Finance Agency (Tufts Medical Center); Series 2011 I, RB	6.75%	01/01/36	1,225	1,406,643
Massachusetts (State of) School Building Authority; Series 2011 B, Sr. Dedicated Sales Tax RB <sup>(c)</sup>	5.00%	10/15/35	5,325	5,823,899
				32,290,611
<b>Michigan 0.95%</b>				
Lansing (City of) Board of Water & Light; Series 2011 A, Utility System RB	5.00%	07/01/37	3,400	3,651,192
Wayne State University Board of Governors; Series 2008, Ref. General RB (INS AGM <sup>y</sup> )	5.00%	11/15/25	1,855	2,069,735
Western Michigan University; Series 2013, Ref. General RB	5.25%	11/15/30	400	434,688
Series 2013, Ref. General RB	5.25%	11/15/31	350	378,028
				6,533,643

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	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>Missouri 1.13%</b>				
Kansas City (City of) Industrial Development Authority (Downtown Redevelopment District);				
Series 2011 A, Ref. RB	5.50%	09/01/27	\$ 995	\$ 1,110,669
Series 2011 A, Ref. RB	5.50%	09/01/28	1,970	2,172,772
Missouri (State of) Health & Educational Facilities Authority (Lutheran Senior Services);				
Series 2005 A, Senior Living Facilities RB	5.38%	02/01/35	1,875	1,883,719
Missouri (State of) Health & Educational Facilities Authority (St. Louis College of Pharmacy); Series 2013, RB				
	5.00%	05/01/20	1,000	1,133,350
St. Louis (County of) Industrial Development Authority (Friendship Village of Sunset Hills); Series 2013 A, Senior Living Facilities RB				
	5.50%	09/01/33	1,375	1,430,742
				7,731,252
<b>Nebraska 1.95%</b>				
Central Plains Energy Project (No. 3); Series 2012, Gas RB				
	5.00%	09/01/32	5,500	5,633,980
Lincoln (County of) Hospital Authority No. 1 (Great Plains Regional Medical Center); Series 2012, Ref. RB				
	5.00%	11/01/32	2,500	2,586,775
Omaha (City of) Public Power District; Series 2011 B, RB <sup>(c)</sup>				
	5.00%	02/01/36	4,800	5,188,656
				13,409,411
<b>Nevada 2.07%</b>				
Clark (County of) (Las Vegas-McCarran International Airport); Series 2010 A, Passenger Facility Charge RB				
	5.13%	07/01/34	1,500	1,586,655
Clark (County of);				
Series 2004 A-1, Sub. Lien Airport System RB (INS NATL <sup>(h)</sup> <sup>(g)</sup> )				
	5.50%	07/01/20	5,000	5,077,450
Series 2004 A-1, Sub. Lien Airport System RB (INS NATL <sup>(h)</sup> <sup>(g)</sup> )				
	5.50%	07/01/22	2,000	2,028,900
Series 2013 A, Ref. Jet Aviation Fuel Tax Airport System RB <sup>(g)</sup>				
	5.00%	07/01/28	2,000	2,125,400
Las Vegas (City of) Redevelopment Agency; Series 2009 A, Tax Increment Allocation RB				
	6.25%	06/15/16	1,450	1,557,590
Nevada (State of); Series 2008 C, Capital Improvement & Cultural Affairs Limited Tax GO Bonds (INS AGM <sup>(h)</sup> <sup>(c)</sup> )				
	5.00%	06/01/26	1,600	1,795,392
				14,171,387
<b>New Jersey 5.82%</b>				
New Jersey (State of) Economic Development Authority (Provident Group-Montclair Properties LLC Montclair State University Student Housing);				
Series 2010 A, RB	5.75%	06/01/31	1,990	2,143,887
New Jersey (State of) Economic Development Authority (The Goethals Bridge Replacement);				



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Series 2013, Private Activity RB <sup>(g)</sup>	5.50%	01/01/26	1,000	1,115,820
Series 2013, Private Activity RB <sup>(g)</sup>	5.38%	01/01/43	1,000	1,024,660
Series 2013, RB <sup>(g)</sup>	5.00%	07/01/23	1,750	1,929,673
New Jersey (State of) Economic Development Authority; Subseries 2005 N-1, Ref. School Facilities Construction RB (INS AMBAC <sup>(h)</sup> )	5.50%	09/01/24	2,000	2,402,120
New Jersey (State of) Transportation Trust Fund Authority;				
Series 1999 A, Transportation System RB	5.75%	06/15/20	5,000	6,104,050
Series 2006 C, Transportation System CAB RB (INS AGC <sup>(h)</sup> ) <sup>(e)</sup>	0.00%	12/15/26	8,435	4,828,531
New Jersey (State of); Series 2001 H, Ref. Unlimited Tax GO Bonds	5.25%	07/01/19	6,900	8,363,490
Passaic Valley Sewage Commissioners; Series 2003 F, Sewer System RB (INS NATL <sup>(h)</sup> )	5.00%	12/01/20	10,000	10,033,200
University of Medicine & Dentistry of New Jersey; Series 2004, COP <sup>(d)(f)</sup>	5.25%	06/15/14	2,000	2,030,280
				39,975,711
<b>New Mexico 0.71%</b>				
Farmington (City of) (Public Service Co. of New Mexico San Juan); Series 2010 C, Ref. PCR	5.90%	06/01/40	2,650	2,813,108
New Mexico (State of) Finance Authority; Series 2008 A, Sr. Lien Public Revolving Fund RB	5.00%	06/01/27	1,860	2,065,939
				4,879,047
<b>New York 13.51%</b>				
Brooklyn Arena Local Development Corp. (Barclays Center);				
Series 2009, PILOT RB	6.25%	07/15/40	1,740	1,867,733
Series 2009, PILOT RB	6.38%	07/15/43	720	775,548

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	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>New York (continued)</b>				
Long Island Power Authority; Series 2004 A, Electrical System General RB (INS AMBAC <sup>(b)</sup> )	5.00%	09/01/34	\$ 1,500	\$ 1,528,080
Metropolitan Transportation Authority; Series 2012 F, Ref. RB	5.00%	11/15/24	1,500	1,730,820
Series 2013 A, RB	5.00%	11/15/38	1,680	1,779,725
New York (City of) Municipal Water Finance Authority; Series 2010 FF, Second General Resolution Water & Sewer System RB	5.00%	06/15/31	2,400	2,678,712
Series 2013 DD, Water & Sewer System RB	5.00%	06/15/35	2,900	3,176,225
New York (City of) Transitional Finance Authority; Subseries 2009 A-1, Future Tax Sec. RB <sup>(c)</sup>	5.00%	05/01/28	4,615	5,270,838
Subseries 2009 A-1, Future Tax Sec. RB <sup>(c)</sup>	5.00%	05/01/29	3,695	4,220,096
Subseries 2009 A-1, Future Tax Sec. RB <sup>(c)</sup>	5.00%	05/01/30	3,695	4,089,330
Subseries 2011 D-1, Future Tax Sec. RB <sup>(c)</sup>	5.00%	11/01/33	1,725	1,876,559
Subseries 2012 E-1, Future Tax Sec. RB <sup>(c)</sup>	5.00%	02/01/37	7,155	7,709,656
Subseries 2013 I, Future Tax Sec. RB	5.00%	05/01/38	1,535	1,657,340
New York (City of) Trust for Cultural Resources (Museum of Modern Art); Series 2008 1A, Ref. RB <sup>(c)</sup>	5.00%	04/01/26	5,635	6,457,992
Series 2008 1A, Ref. RB <sup>(c)</sup>	5.00%	04/01/27	4,765	5,384,831
New York (City of); Subseries 2008 A-1, Unlimited Tax GO Bonds <sup>(c)</sup>	5.25%	08/15/27	5,200	5,951,764
Subseries 2008 A-1, Unlimited Tax GO Bonds <sup>(c)</sup>	5.25%	08/15/28	5,200	5,903,092
New York (State of) Dormitory Authority (City of New York); Series 2005 A, Court Facilities Lease RB (INS AMBAC <sup>(b)</sup> )	5.50%	05/15/29	1,805	2,198,003
New York (State of) Dormitory Authority (General Purpose); Series 2011 A, State Personal Income Tax RB <sup>(c)</sup>	5.00%	03/15/30	5,805	6,434,378
New York (State of) Dormitory Authority; Series 2007 A, Mental Health Services Facilities Improvement RB (INS AGM <sup>(b)</sup> )	5.00%	02/15/27	1,500	1,639,785
Series 2013 A, General Purpose Personal Income Tax RB	5.00%	02/15/37	2,050	2,218,366
New York (State of) Energy Research & Development Authority (Brooklyn Union Gas Co.); Series 1991 B, Gas Facilities Residual Interest RB <sup>(g)(m)</sup>	13.57%	07/01/26	1,700	1,716,830
New York (State of) Thruway Authority (Transportation); Series 2009 A, Personal Income Tax RB	5.00%	03/15/25	1,310	1,504,325
New York (State of) Thruway Authority; Series 2011 A-1, Second General Highway & Bridge Trust Fund RB <sup>(c)</sup>	5.00%	04/01/29	4,860	5,363,933
Series 2013 A, Jr. General RB	5.00%	05/01/19	2,000	2,346,020
New York Liberty Development Corp. (7 World Trade Center); Series 2012, Class 1, Ref. Liberty RB <sup>(c)</sup>	5.00%	09/15/40	5,100	5,442,414

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Series 2012, Class 2, Ref. Liberty RB	5.00%	09/15/43	1,770	1,821,330
				92,743,725

**North Carolina 3.88%**

Charlotte (City of) (Cultural Arts Facilities); Series 2009 E, Ref. COP <sup>(c)</sup>	5.00%	06/01/39	13,600	14,104,424
North Carolina (State of) Eastern Municipal Power Agency; Series 2009 B, Power System RB	5.00%	01/01/26	1,525	1,663,958
North Carolina (State of) Medical Care Commission (Duke University Health System); Series 2012 A, Health Care Facilities RB <sup>(c)</sup>	5.00%	06/01/42	5,110	5,372,450
North Carolina (State of) Medical Care Commission (Salemtowne); Series 2006, Ref. First Mortgage Health Care Facilities RB	5.10%	10/01/30	1,100	1,043,977
North Carolina (State of) Turnpike Authority; Series 2011, Monroe Connector System State Appropriation RB <sup>(c)</sup>	5.00%	07/01/36	1,755	1,889,310
Series 2011, Monroe Connector System State Appropriation RB <sup>(c)</sup>	5.00%	07/01/41	2,430	2,582,361
				26,656,480

**North Dakota 0.41%**

Ward (County of) (Trinity Obligated Group); Series 2006, Health Care Facilities RB	5.13%	07/01/29	2,750	2,779,095
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	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>Ohio 5.72%</b>				
Allen (County of) (Catholic Health Partners); Series 2012 A, Ref. Hospital Facilities RB	5.00%	05/01/42	\$ 1,450	\$ 1,502,562
American Municipal Power, Inc. (Prairie State Energy Campus); Series 2008 A, RB (INS AGC <sup>(b)</sup> )(c)	5.25%	02/15/33	9,100	9,487,569
Franklin (County of) (First Community Village Obligated Group); Series 2013, Ref. Health Care Facilities RB	5.25%	07/01/33	2,000	1,698,520
Franklin (County of) (OhioHealth Corp.); Series 2011 A, Hospital Facilities RB <sup>(c)</sup>	5.00%	11/15/36	3,390	3,556,652
Hamilton (County of) (Christ Hospital); Series 2012, Health Care Facilities RB	5.50%	06/01/42	3,000	3,127,020
Hancock (County of) (Blanchard Valley Regional Health Center); Series 2011 A, Hospital Facilities RB	6.25%	12/01/34	2,470	2,733,327
Muskingum (County of) (Genesis Healthcare System); Series 2013, Hospital Facilities RB	5.00%	02/15/44	2,500	2,033,050
Ohio (State of) Air Quality Development Authority (FirstEnergy Generation Corp.); Series 2009 A, RB	5.70%	08/01/20	2,000	2,241,380
Ohio (State of) Air Quality Development Authority (FirstEnergy Nuclear Generation Corp.); Series 2009 A, Ref. PCR <sup>(d)</sup>	5.75%	06/01/16	3,670	3,973,839
Ohio (State of) Higher Educational Facility Commission (Summa Health System); Series 2010, Hospital Facilities RB	5.75%	11/15/40	4,835	5,142,941
Ohio (State of) Turnpike Commission (Infrastructure); Series 2013 A, Jr. Lien RB	5.00%	02/15/28	2,500	2,759,025
Ohio (State of) Water Development Authority (FirstEnergy Nuclear Generation Corp.); Series 2009 A, Ref. PCR <sup>(d)</sup>	5.88%	06/01/16	930	1,009,227
				39,265,112
<b>Oklahoma 0.20%</b>				
Oklahoma (State of) Development Finance Authority (Great Plains Regional Medical Center); Series 2007, Hospital RB	5.13%	12/01/36	1,500	1,358,325
<b>Oregon 0.51%</b>				
Oregon (State of) Department of Administrative Services; Series 2009 A, Lottery RB	5.25%	04/01/24	685	795,853
Warm Springs Reservation Confederated Tribes of Oregon (Pelton Round Butte); Series 2009 B, Tribal Economic Development Hydroelectric RB <sup>(h)</sup>	6.38%	11/01/33	2,465	2,673,490
				3,469,343
<b>Pennsylvania 1.90%</b>				
Pennsylvania (State of) Turnpike Commission;				

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Series 2004 A, RB (INS AMBAC <sup>(b)</sup> )	5.00%	12/01/34	5,000	5,134,900
Series 2012 A, Sub. RB	5.00%	12/01/20	1,370	1,586,679
Subseries 2010 B-2, Sub. Conv. CAB RB <sup>(k)</sup>	5.75%	12/01/28	2,850	2,880,353
Subseries 2010 B-2, Sub. Conv. CAB RB <sup>(k)</sup>	6.00%	12/01/34	1,750	1,736,875
Philadelphia School District; Series 2008 E, Limited Tax GO Bonds (INS BHAC <sup>(b)</sup> )	5.13%	09/01/23	1,500	1,714,365
				13,053,172
<b>Puerto Rico 0.60%</b>				
Puerto Rico Sales Tax Financing Corp.;				
First Subseries 2010 A, RB	5.50%	08/01/42	1,245	968,187
First Subseries 2010 C, RB	5.25%	08/01/41	4,185	3,154,192
				4,122,379
<b>Rhode Island 0.22%</b>				
Rhode Island Economic Development Corp.; Series 2004 A, Ref. Airport RB (INS AGM <sup>(b)</sup> )(g)				
	5.00%	07/01/21	1,500	1,520,745
<b>South Carolina 1.48%</b>				
Charleston Educational Excellence Finance Corp. (Charleston County School District); Series 2005, Installment Purchase RB <sup>(d)(f)</sup>				
	5.25%	12/01/15	8,000	8,705,040
South Carolina (State of) Jobs-Economic Development Authority (Palmetto Health Alliance); Series 2013 A, Ref. Hospital RB				
	5.25%	08/01/30	1,400	1,470,000
				10,175,040

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	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>Tennessee 0.42%</b>				
Tennessee Energy Acquisition Corp.;				
Series 2006 A, Gas RB	5.25%	09/01/23	\$ 1,280	\$ 1,443,610
Series 2006 A, Gas RB	5.25%	09/01/26	1,275	1,401,620
				2,845,230
<b>Texas 18.07%</b>				
Alamo Community College District; Series 2012, Ref. Limited Tax GO Bonds <sup>(c)</sup>				
	5.00%	08/15/34	5,105	5,616,521
Alliance Airport Authority, Inc. (Federal Express Corp.); Series 2006, Ref. Special Facilities RB <sup>(g)</sup>				
	4.85%	04/01/21	6,000	6,275,940
Arlington (City of); Series 2009, Special Tax RB				
	5.00%	08/15/28	4,000	4,236,560
Bexar (County of); Series 2009 A, Flood Control Limited Tax Ctfs. of Obligation				
	5.00%	06/15/35	2,500	2,789,150
Bexar County Health Facilities Development Corp. (Army Retirement Residence); Series 2010, RB				
	6.20%	07/01/45	2,225	2,375,877
Dallas-Fort Worth (Cities of) International Airport; Series 2012 G, Ref. RB				
	5.00%	11/01/34	2,200	2,321,704
Series 2014 A, Ref. RB <sup>(g)</sup>				
	5.25%	11/01/26	2,000	2,221,700
Friendswood Independent School District; Series 2008, Schoolhouse Unlimited Tax GO Bonds (CEP Texas Permanent School Fund)				
	5.00%	02/15/25	1,130	1,277,341
Harris (County of); Series 2007 C, Ref. Sub. Lien Toll Road Unlimited Tax GO Bonds (INS AGM <sup>(b)</sup> )				
	5.25%	08/15/31	5,395	6,451,988
Harris County Industrial Development Corp. (Deer Park Refining Limited Partnership); Series 2006, Solid Waste Disposal RB				
	5.00%	02/01/23	1,300	1,405,391
Houston (City of) Convention & Entertainment Facilities Department; Series 2001 B, Hotel Occupancy Tax & Special CAB RB (INS AGM <sup>(b)(e)</sup> )				
	0.00%	09/01/25	4,650	2,839,104
Houston (City of); Series 2004 A, Ref. First Lien Combined Utility System RB (INS NATL <sup>(b)</sup> )				
	5.25%	05/15/23	8,300	8,389,474
Series 2004 A, Ref. First Lien Combined Utility System RB (INS NATL <sup>(b)</sup> )				
	5.25%	05/15/25	9,500	9,602,220
Series 2009 A, Ref. Public Improvement Limited Tax GO Bonds				
	5.00%	03/01/27	2,000	2,273,900
Series 2011 D, First Lien Combined Utility System RB <sup>(c)</sup>				
	5.00%	11/15/33	2,700	2,953,449
Series 2011 D, First Lien Combined Utility System RB <sup>(c)</sup>				
	5.00%	11/15/36	4,005	4,316,549
Houston Community College System; Series 2008, Sr. Lien Student Fee RB (INS AGM <sup>(b)</sup> )				
	5.00%	04/15/23	420	476,570
Lower Colorado River Authority (LCRA Transmissions Services Corp.); Series 2011 A, Ref. RB				
	5.00%	05/15/41	2,250	2,317,793
Lower Colorado River Authority; Series 2012 A, Ref. RB				
	5.00%	05/15/30	2,130	2,306,428

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New Hope Cultural Education Facilities Corp. (Morningside Ministries); Series 2013, First Mortgage RB	6.50%	01/01/43	1,000	1,033,130
North Texas Tollway Authority; Series 2008 D, Ref. First Tier System CAB RB (INS AGC <sup>(h)</sup> )(e)	0.00%	01/01/28	18,900	10,125,675
Series 2008 D, Ref. First Tier System CAB RB (INS AGC <sup>(h)</sup> )(e)	0.00%	01/01/31	3,740	1,660,448
SA Energy Acquisition Public Facility Corp.; Series 2007, Gas Supply RB	5.50%	08/01/21	1,500	1,722,090
San Antonio (City of); Series 2013, Jr. Lien Electric & Gas Systems RB	5.00%	02/01/38	2,495	2,681,626
Tarrant County Cultural Education Facilities Finance Corp. (Air Force Village Obligated Group); Series 2007, Retirement Facilities RB	5.13%	05/15/37	925	862,544
Texas A&M University System Board of Regents; Series 2009 A, Financing System RB	5.00%	05/15/25	890	1,025,974
Series 2009 A, Financing System RB	5.00%	05/15/26	2,500	2,881,950
Texas Municipal Gas Acquisition & Supply Corp. I; Series 2008 D, Sr. Lien Gas Supply RB	6.25%	12/15/26	5,230	6,276,889
Texas Municipal Gas Acquisition & Supply Corp. III; Series 2012, Gas Supply RB	5.00%	12/15/28	4,095	4,233,082
Series 2012, Gas Supply RB	5.00%	12/15/29	2,000	2,060,120
Series 2012, Gas Supply RB	5.00%	12/15/31	1,200	1,227,348
Series 2012, Gas Supply RB	5.00%	12/15/32	1,195	1,217,920
Texas Private Activity Bond Surface Transportation Corp. (NTE Mobility Partners LLC North Tarrant Express Management Lanes); Series 2009, Sr. Lien RB	6.88%	12/31/39	1,945	2,166,536
Texas Private Activity Bond Surface Transportation Corp. (NTE Mobility Partners LLC); Series 2013, Sr. Lien RB <sup>(g)</sup>	7.00%	12/31/38	1,300	1,453,101

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

	Interest Rate	Maturity Date	Principal Amount (000)	Value
<b>Texas (continued)</b>				
University of Houston; Series 2008, Ref. Consolidated RB (INS AGM <sup>(b)(c)</sup> )	5.00%	02/15/33	\$ 9,100	\$ 9,854,936
West Harris County Regional Water Authority; Series 2005, Water System RB (INS AGM <sup>(b)</sup> )	5.00%	12/15/24	3,000	3,096,810
				124,027,838
<b>Utah 0.32%</b>				
Salt Lake City (City of) (IHC Hospitals, Inc.); Series 1991, Ref. Hospital RB <sup>(f)(m)</sup>	13.04%	05/15/20	2,200	2,225,388
<b>Vermont 0.34%</b>				
Vermont (State of) Economic Development Authority (Wake Robin Corp.); Series 2006 A, Mortgage RB	5.38%	05/01/36	2,500	2,333,475
<b>Virgin Islands 0.38%</b>				
Virgin Islands (Government of) Public Finance Authority (Matching Fund Loan Note); Series 2010 A, Sr. Lien RB	5.00%	10/01/25	2,400	2,568,984
<b>Virginia 3.13%</b>				
Fairfax (County of) Economic Development Authority (Goodwin House Inc.); Series 2007, Residential Care Facilities Mortgage RB	5.13%	10/01/37	1,750	1,776,547
Fairfax (County of) Industrial Development Authority (INOVA Health System); Series 1993, Ref. RB	5.25%	08/15/19	9,000	10,329,390
Virginia (State of) Small Business Financing Authority (Elizabeth River Crossings Opco, LLC); Series 2012, Sr. Lien RB <sup>(g)</sup>	6.00%	01/01/37	885	944,074
Series 2012, Sr. Lien RB <sup>(g)</sup>	5.50%	01/01/42	2,930	3,016,640
Virginia (State of) Small Business Financing Authority (Express Lanes, LLC); Series 2012, Sr. Lien RB <sup>(g)</sup>	5.00%	07/01/34	3,635	3,584,546
Series 2012, Sr. Lien RB <sup>(g)</sup>	5.00%	01/01/40	1,905	1,860,309
				21,511,506
<b>Washington 4.65%</b>				
Chelan (County of) Public Utility District No. 1; Series 2011 A, Ref. Consolidated RB <sup>(g)</sup>	5.50%	07/01/25	925	1,056,045
Grant (County of) Public Utility District No. 2; Series 2005 A, Ref. Wanapum Hydro Electric RB (INS NATL <sup>(b)</sup> )	5.00%	01/01/34	1,705	1,752,143
Spokane County School District No. 81; Series 2005, Unlimited Tax GO Bonds <sup>(d)(f)</sup>	5.13%	06/01/15	2,500	2,656,350
Washington (State of) Health Care Facilities Authority (Catholic Health Initiatives); Series 2011 A, RB <sup>(c)</sup>	5.00%	02/01/41	3,000	3,061,440
Washington (State of) Health Care Facilities Authority (Providence Health); Series 2006 C, RB (INS AGM <sup>(b)</sup> )	5.25%	10/01/33	1,500	1,640,700
Washington (State of) Tobacco Settlement Authority; Series 2013, Ref. RB	5.25%	06/01/31	2,000	2,099,240
Washington (State of);				



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Series 2010 A, Various Purpose Unlimited Tax GO Bonds <sup>(c)</sup>	5.00%	08/01/29	8,420	9,634,585
Series 2010 A, Various Purpose Unlimited Tax GO Bonds <sup>(c)</sup>	5.00%	08/01/30	8,850	10,009,350
				31,909,853
<b>Wisconsin 1.05%</b>				
Wisconsin (State of) Health & Educational Facilities Authority (Mercy Alliance); Series 2012, RB	5.00%	06/01/39	4,825	4,902,972
Wisconsin (State of); Series 2009 A, General Fund Annual Appropriation RB	5.63%	05/01/28	2,000	2,311,220
				7,214,192
TOTAL INVESTMENTS <sup>(n)</sup> 158.00% (Cost \$1,030,100,763)				1,084,554,673
FLOATING RATE NOTE OBLIGATIONS (28.96)%				
Notes with interest and fee rates ranging from 0.55% to 0.80% at 02/28/14 and contractual maturities of collateral ranging from 06/01/25 to 10/01/52 (See Note 1J) <sup>(o)</sup>				(198,765,000)
VARIABLE RATE MUNI TERM PREFERRED SHARES (31.14)%				(213,755,132)
OTHER ASSETS LESS LIABILITIES 2.10%				14,413,033
NET ASSETS APPLICABLE TO COMMON SHARES 100.00%				\$ 686,447,574

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

Investment Abbreviations:

AGC	Assured Guaranty Corp.
AGM	Assured Guaranty Municipal Corp.
AMBAC	American Municipal Bond Assurance Corp.
BAN	Bond Anticipation Notes
BHAC	Berkshire Hathaway Assurance Corp.
CAB	Capital Appreciation Bonds
CEP	Credit Enhancement Provider
Conv.	Convertible
COP	Certificates of Participation
Ctfs.	Certificates
FTA	Federal Transit Administration
GO	General Obligation
IDR	Industrial Development Revenue Bonds
INS	Insurer
Jr.	Junior
NATL	National Public Finance Guarantee Corp.
PCR	Pollution Control Revenue Bonds
PILOT	Payment-in-Lieu-of-Tax
RAB	Revenue Anticipation Bonds
RB	Revenue Bonds
Ref.	Refunding
Sec.	Secured
SGI	Syncora Guarantee, Inc.
Sr.	Senior
Sub.	Subordinated
TEMPS	Tax-Exempt Mandatory Paydown Securities

Notes to Schedule of Investments:

- (a) Calculated as a percentage of net assets. Amounts in excess of 100% are due to the Trust's use of leverage.
- (b) Principal and/or interest payments are secured by the bond insurance company listed.
- (c) Underlying security related to Dealer Trusts entered into by the Trust. See Note 1J.
- (d) Security has an irrevocable call by the issuer or mandatory put by the holder. Maturity date reflects such call or put.
- (e) Zero coupon bond issued at a discount. The interest rate shown represents the yield to maturity at issue.
- (f) Advance refunded; secured by an escrow fund of U.S. Government obligations or other highly rated collateral.
- (g) Security subject to the alternative minimum tax.
- (h) Security purchased or received in a transaction exempt from registration under the Securities Act of 1933, as amended (the "1933 Act"). The security may be resold pursuant to an exemption from registration under the 1933 Act, typically to qualified institutional buyers. The aggregate value of these securities at February 28, 2014 was \$10,920,708, which represented 1.59% of the Trust's Net Assets.
- (i) Default security. Currently, the issuer is in default with respect to principal and interest payments. The aggregate value of these securities at February 28, 2014 was \$2,284,275, which represented less than 1% of the Trust's Net

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Assets.

- (i) Interest or dividend rate is redetermined periodically. Rate shown is the rate in effect on February 28, 2014.
- (k) Convertible CAB. The interest rate shown represents the coupon rate at which the bond will accrue at a specified future date.
- (l) Security is subject to a shortfall agreement which may require the Trust to pay amounts to a counterparty in the event of a significant decline in the market value of the security underlying the Dealer Trusts. In case of a shortfall, the maximum potential amount of payments the Trust could ultimately be required to make under the agreement is \$5,650,000. However, such shortfall payment would be reduced by the proceeds from the sale of the security underlying the Dealer Trusts.
- (m) Current coupon rate for an inverse floating rate municipal obligation. This rate resets periodically as the rate on the related security changes. Positions in an inverse floating rate municipal obligation have a total value of \$3,942,218 which represents less than 1% of the Trust's Net Assets.
- (n) This table provides a listing of those entities that have either issued, guaranteed, backed or otherwise enhanced the credit quality of more than 5% of the securities held in the portfolio. In instances where the entity has guaranteed, backed or otherwise enhanced the credit quality of a security, it is not primarily responsible for the issuer's obligations but may be called upon to satisfy the issuer's obligations.

Entities	Percentage
National Public Finance Guarantee Corp.	6.6%
Assured Guaranty Municipal Corp.	6.1

- (o) Floating rate note obligations related to securities held. The interest and fee rates shown reflect the rates in effect at February 28, 2014. At February 28, 2014, the Trust's investments with a value of \$331,436,641 are held by Dealer Trusts and serve as collateral for the \$198,765,000 in the floating rate note obligations outstanding at that date.

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

**Statement of Assets and Liabilities**

February 28, 2014

**Assets:**

Investments, at value (Cost \$1,030,100,763)	\$ 1,084,554,673
Cash	8,713,703
Receivable for:	
Investments sold	203,223
Interest	11,289,731
Investment for trustee deferred compensation and retirement plans	103,738
Deferred offering costs	105,793
Total assets	1,104,970,861

**Liabilities:**

Floating rate note obligations	198,765,000
Variable rate muni term preferred shares at liquidation preference (\$0.01 par value, 2,139 shares issued with liquidation preference of \$100,000 per share)	213,755,132
Payable for:	
Investments purchased	5,274,865
Dividends	70,055
Accrued fees to affiliates	64,815
Accrued interest expenses	180,379
Accrued trustees and officers fees and benefits	5,441
Accrued other operating expenses	120,576
Trustee deferred compensation and retirement plans	287,024
Total liabilities	418,523,287
Net assets applicable to common shares	\$ 686,447,574

**Net assets applicable to common shares consist of:**

Shares of beneficial interest common shares	\$ 721,850,149
Undistributed net investment income	1,872,481
Undistributed net realized gain (loss)	(91,728,966)
Net unrealized appreciation	54,453,910
	\$ 686,447,574

**Common shares outstanding, no par value,  
with an unlimited number of common shares authorized:**

Common shares outstanding	52,883,797
Net asset value per common share	\$ 12.98
Market value per common share	\$ 11.86

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

**Statement of Operations***For the year ended February 28, 2014*

<b>Investment income:</b>	
Interest	\$ 48,867,199
<b>Expenses:</b>	
Advisory fees	6,022,371
Administrative services fees	162,175
Custodian fees	20,579
Interest, facilities and maintenance fees	3,976,244
Transfer agent fees	12,841
Trustees and officers fees and benefits	61,906
Other	485,097
Total expenses	10,741,213
Less: Fees waived	(3,157,575)
Net expenses	7,583,638
Net investment income	41,283,561
<b>Realized and unrealized gain (loss) from:</b>	
Net realized gain (loss) from investment securities	(15,348,899)
Change in net unrealized appreciation (depreciation) of investment securities	(50,936,120)
Net realized and unrealized gain (loss)	(66,285,019)
Net increase (decrease) in net assets from operations applicable to common shares	\$ (25,001,458)

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

**Statement of Changes in Net Assets***For the years ended February 28, 2014 and 2013*

	<b>2014</b>	<b>2013</b>
<b>Operations:</b>		
Net investment income	\$ 41,283,561	\$ 27,416,841
Net realized gain (loss)	(15,348,899)	2,154,095
Change in net unrealized appreciation (depreciation)	(50,936,120)	9,064,671
Net increase (decrease) in net assets resulting from operations	(25,001,458)	38,635,607
Distributions to auction rate preferred shareholders from net investment income		(105,655)
Net increase (decrease) in net assets from operations applicable to common shares	(25,001,458)	38,529,952
Distributions to shareholders from net investment income	(43,034,192)	(28,675,570)
Increase from transactions in common shares of beneficial interest		418,357,421
Net increase (decrease) in net assets applicable to common shares	(68,035,650)	428,211,803
<b>Net assets applicable to common shares:</b>		
Beginning of year	754,483,224	326,271,421
End of year (includes undistributed net investment income of \$1,872,481 and \$3,423,821, respectively)	\$ 686,447,574	\$ 754,483,224

See accompanying Notes to Financial Statements which are an integral part of the financial statements.

**Statement of Cash Flows***For the year ended February 28, 2014***Cash provided by operating activities:**

Net increase (decrease) in net assets resulting from operations applicable to common shares	\$ (25,001,458)
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**Adjustments to reconcile the change in net assets applicable to common shares from operations to net cash provided by operating activities:**

Purchases of investments	(256,945,175)
Net sales of short-term investments	500,000
Proceeds from sales of investments	266,970,507
Amortization of premium and deferred offering cost	4,369,480
Accretion of discount	(3,231,942)
Increase in receivables and other assets	(245,357)
Increase in accrued expenses and other payables	42,456
Net realized loss from investment securities	15,348,899
Net change in unrealized depreciation on investment securities	50,936,120
Net cash provided by operating activities	52,743,530

**Cash provided by (used in) financing activities:**

Dividends paid to common shareholders from net investment income	(42,964,137)
Decrease in payable for amount due custodian	(4,345,690)
Net proceeds from floating rate note obligations	3,280,000
Net cash provided by (used in) financing activities	(44,029,827)
Net increase in cash and cash equivalents	8,713,703
Cash at beginning of period	
Cash at end of period	\$ 8,713,703

**Supplemental disclosure of cash flow information:**

Cash paid during the period for interest, facilities and maintenance fees	\$ 3,927,147
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**Notes to Financial Statements***February 28, 2014***NOTE 1 Significant Accounting Policies**

Invesco Quality Municipal Income Trust (the "Trust") is a Delaware statutory trust registered under the Investment Company Act of 1940, as amended (the "1940 Act"), as a diversified, closed-end management investment company.

The Trust's investment objective is to provide current income which is exempt from federal income tax.

The following is a summary of the significant accounting policies followed by the Trust in the preparation of its financial statements.

**A. Security Valuations** Securities, including restricted securities, are valued according to the following policy. Securities are fair valued using an evaluated quote provided by an independent pricing service approved by the Board of Trustees. Evaluated quotes provided by the pricing service may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments

related to specific securities, dividend rate (for unlisted equities), yield (for debt obligations), quality, type of issue, coupon rate (for debt obligations), maturity (for debt obligations), individual trading characteristics and other market data. Debt obligations are subject to interest rate and credit risks. In addition, all debt obligations involve some risk of default with respect to interest and/or principal payments.

Securities for which market quotations either are not readily available or became unreliable are valued at fair value as determined in good faith by or under the supervision of the Trust's officers following procedures approved by the Board of Trustees. Some of the factors which may be considered in determining fair value are fundamental analytical data relating to the investment; the nature and duration of any restrictions on transferability or disposition; trading in similar securities by the same issuer or comparable companies; relevant political, economic or issuer specific news; and other relevant factors under the circumstances.

The Trust invests in securities that are subject to interest rate risk, meaning the risk that the prices will generally fall as interest rates rise and, conversely, the prices will generally rise as interest rates fall. Specific securities differ in their sensitivity to changes in interest rates depending on their individual characteristics. Changes in interest rates may result in increased market volatility, which may affect the value and/or liquidity of certain of the Trust's investments.

Valuations change in response to many factors including the historical and prospective earnings of the issuer, the value of the issuer's assets, general economic conditions, interest rates, investor perceptions and market liquidity. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.



**B. Securities Transactions and Investment Income** Securities transactions are accounted for on a trade date basis. Realized gains or losses on sales are computed on the basis of specific identification of the securities sold. Interest income is recorded on the accrual basis from settlement date. Dividend income (net of withholding tax, if any) is recorded on the ex-dividend date. Bond premiums and discounts are amortized and/or accreted for financial reporting purposes.

The Trust may periodically participate in litigation related to Trust investments. As such, the Trust may receive proceeds from litigation settlements. Any proceeds received are included in the Statement of Operations as realized gain (loss) for investments no longer held and as unrealized gain (loss) for investments still held.

Brokerage commissions and mark ups are considered transaction costs and are recorded as an increase to the cost basis of securities purchased and/or a reduction of proceeds on a sale of securities. Such transaction costs are included in the determination of net realized and unrealized gain (loss) from investment securities reported in the Statement of Operations and the Statement of Changes in Net Assets and the net realized and unrealized gains (losses) on securities per share in the Financial Highlights. Transaction costs are included in the calculation of the Trust's net asset value and, accordingly, they reduce the Trust's total returns. These transaction costs are not considered operating expenses and are not reflected in net investment income reported in the Statement of Operations and Statement of Changes in Net Assets, or the net investment income per share and ratios of expenses and net investment income reported in the Financial Highlights, nor are they limited by any expense limitation arrangements between the Trust and the investment adviser.

**C. Country Determination** For the purposes of making investment selection decisions and presentation in the Schedule of Investments, the investment adviser may determine the country in which an issuer is located and/or credit risk exposure based on various factors. These factors include the laws of the country under which the issuer is organized, where the issuer maintains a principal office, the country in which the issuer derives 50% or more of its total revenues and the country that has the primary market for the issuer's securities, as well as other criteria. Among the other criteria that may be evaluated for making this determination are the country in which the issuer maintains 50% or more of its assets, the type of security, financial guarantees and enhancements, the nature of the collateral and the sponsor organization. Country of issuer and/or credit risk exposure has been determined to be the United States of America, unless otherwise noted.

**D. Distributions** The Trust declares and pays monthly dividends from net investment income to common shareholders. Distributions from net realized capital gain, if any, are generally declared and paid annually and are distributed on a pro rata basis to common and preferred shareholders.

**E. Federal Income Taxes** The Trust intends to comply with the requirements of Subchapter M of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code), necessary to qualify as a regulated investment company and to distribute substantially all of the Trust's taxable earnings to shareholders. As such, the Trust will not be subject to federal income taxes on otherwise taxable income (including net realized capital gain) that is distributed to shareholders. Therefore, no provision for federal income taxes is recorded in the financial statements.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained. Management has analyzed the Fund's uncertain tax positions and concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions. Management is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months.

In addition, the Trust intends to invest in such municipal securities to allow it to qualify to pay shareholders' exempt dividends, as defined in the Internal Revenue Code.

The Trust files tax returns in the U.S. Federal jurisdiction and certain other jurisdictions. Generally, the Trust is subject to examinations by such taxing authorities for up to three years after the filing of the return for the tax period.

- F. Interest, Facilities and Maintenance Fees** Interest, Facilities and Maintenance Fees include interest and related borrowing costs such as commitment fees, rating and bank agent fees and other expenses associated with lines of credit and Variable Rate Muni Term Preferred Shares ( VMTP Shares ), and interest and administrative expenses related to establishing and maintaining floating rate note obligations, if any.
- G. Accounting Estimates** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ( GAAP ) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period including estimates and assumptions related to taxation. Actual results could differ from those estimates by a significant amount. In addition, the Trust monitors for material events or transactions that may occur or become known after the period-end date and before the date the financial statements are released to print.
- H. Indemnifications** Under the Trust's organizational documents, each Trustee, officer, employee or other agent of the Trust is indemnified against certain liabilities that may arise out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust enters into contracts, including the Trust's servicing agreements, that contain a variety of indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. The risk of material loss as a result of such indemnification claims is considered remote.
- I. Cash and Cash Equivalents** For the purposes of the Statement of Cash Flows the Trust defines Cash and Cash Equivalents as cash (including foreign currency), money market funds and other investments held in lieu of cash and excludes investments made with cash collateral received.
- J. Floating Rate Note Obligations** The Trust invests in inverse floating rate securities, such as Residual Interest Bonds ( RIBs ) or Tender Option Bonds ( TOBs ) for investment purposes and to enhance the yield of the Trust. Inverse floating rate investments tend to underperform the market for fixed rate bonds in a rising interest rate environment, but tend to outperform the market for fixed rate bonds when interest rates decline or remain relatively stable. Such transactions may be purchased in the secondary market without first owning the underlying bond or by the sale of fixed rate bonds by the Trust to special purpose trusts established by a broker dealer ( Dealer Trusts ) in exchange for cash and residual interests in the Dealer Trusts' assets and cash flows, which are in the form of inverse floating rate securities. The Dealer Trusts finance the purchases of the fixed rate bonds by issuing floating rate notes to third parties and allowing the Trust to retain residual interests in the bonds. The floating rate notes issued by the Dealer Trusts have interest rates that reset weekly and the floating rate note holders have the option to tender their notes to the Dealer Trusts for redemption at par at each reset date. The residual interests held by the Trust (inverse floating rate investments) include the right of the Trust (1) to cause the holders of the floating rate notes to tender their notes at par at the next interest rate reset date, and (2) to transfer the municipal bond from the Dealer Trusts to the Trust, thereby collapsing the Dealer Trusts.

Recently published final rules implementing section 619 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Volcker Rule ) prohibit banking entities from engaging in proprietary trading of certain instruments and limit such entities' investments in, and relationships with, covered funds. These rules may preclude banking entities from sponsoring and/or providing services for existing TOB trust programs. There can be no assurances that TOB trusts can be restructured substantially similar to their present form, that new sponsors of TOB trusts would begin providing these services, or that alternative forms of leverage will be available to the Trust in order to maintain current levels of leverage. Any alternative forms of leverage may be less advantageous to the Trust, and may adversely affect the Trust's net asset value, distribution rate and ability to achieve its investment objective. The ultimate impact of these rules on the TOBs market and the municipal market generally is not yet certain.

TOBs are presently classified as private placement securities. Private placement securities are subject to restrictions on resale because they have not been registered under the Securities Act of 1933, as amended (the 1933 Act ), or are otherwise not readily marketable. As a result of the absence of a public trading market for these securities, they may be less liquid than publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid by the Trust or less than what may be considered the fair value of such securities.

The Trust accounts for the transfer of bonds to the Dealer Trusts as secured borrowings, with the securities transferred remaining in the Trust's investment assets, and the related floating rate notes reflected as Trust liabilities under the caption *Floating rate note obligations* on the Statement of Assets and Liabilities. The Trust records the interest income from the fixed rate bonds under the caption *Interest* and records the expenses related to floating rate obligations and any administrative expenses of the Dealer Trusts as a component of *Interest, facilities and maintenance fees* on the Statement of Operations.

The Trust generally invests in inverse floating rate securities that include embedded leverage, thus exposing the Trust to greater risks and increased costs. The primary risks associated with inverse floating rate securities are varying degrees of liquidity and the changes in the value of such securities in response to changes in market rates of interest to a greater extent than the value of an equal principal amount of a fixed rate security having similar credit quality, redemption provisions and maturity which may cause the Trust's net asset value to be more volatile than if it had not invested in inverse floating rate securities. In certain instances, the short-term floating rate interests created by the special purpose trust may not be able to be sold to third parties or, in the case of holders tendering (or putting) such interests for repayment of principal, may not be able to be remarketed to third parties. In such cases, the special purpose trust holding the long-term fixed rate bonds may be collapsed. In the case of RIBs or TOBs created by the contribution of long-term fixed income bonds by the Trust, the Trust will then be required to repay the principal amount of the tendered securities. During times of market volatility, illiquidity or uncertainty, the Trust could be required to sell other portfolio holdings at a disadvantageous time to raise cash to meet that obligation.

**K. Other Risks** The value of, payment of interest on, repayment of principal for and the ability to sell a municipal security may be affected by constitutional amendments, legislative enactments, executive orders, administrative regulations, voter initiatives and the economics of the regions in which the issuers are located.

Since many municipal securities are issued to finance similar projects, especially those relating to education, health care, transportation and utilities, conditions in those sectors can affect the overall municipal securities market and a Trust's investments in municipal securities.

There is some risk that a portion or all of the interest received from certain tax-free municipal securities could become taxable as a result of determinations by the Internal Revenue Service.

**NOTE 2 Advisory Fees and Other Fees Paid to Affiliates**

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The Trust has entered into a master investment advisory agreement with Invesco Advisers, Inc. (the Adviser or Invesco ). Under the terms of the investment advisory agreement, the Trust pays an advisory fee to the Adviser based on the annual rate of 0.55% of the Trust's average weekly managed assets. Managed assets for this purpose means the Trust's net assets, plus assets attributable to outstanding preferred shares and the amount of any borrowings incurred for the purpose of leverage (whether or not such borrowed amounts are reflected in the Trust's financial statements for purposes of GAAP).

Under the terms of a master sub-advisory agreement between the Adviser and each of Invesco Asset Management Deutschland GmbH, Invesco Asset Management Limited, Invesco Asset Management (Japan) Limited, Invesco Australia Limited, Invesco Hong Kong Limited, Invesco Senior Secured Management, Inc. and Invesco Canada Ltd. (collectively, the Affiliated Sub-Advisers ) the Adviser, not the Trust, may pay 40% of the fees paid to the Adviser to any such Affiliated Sub-Adviser(s) that provide(s) discretionary investment management services to the Trust based on the percentage of assets allocated to such Sub-Adviser(s).

The Adviser has contractually agreed, through at least October 31, 2014, to waive advisory fees and/or reimburse expenses to the extent necessary to limit the Trust's expenses (excluding certain items discussed below) to 0.50%. In determining the Adviser's obligation to waive advisory fees and/or reimburse expenses, the following expenses are not taken into account, and could cause the Trust's expenses to exceed the limit reflected above: (1) interest, facilities and maintenance fees; (2) taxes; (3) dividend expense on short sales; (4) extraordinary or non-routine items, including litigation expenses; and (5) expenses that the Trust has incurred but did not actually pay because of an expense offset arrangement. Unless Invesco continues the fee waiver agreement, it will terminate on October 31, 2014. The fee waiver agreement cannot be terminated during its term.

For the year ended February 28, 2014, the Adviser waived advisory fees of \$3,157,575.

The Trust has entered into a master administrative services agreement with Invesco pursuant to which the Trust has agreed to pay Invesco for certain administrative costs incurred in providing accounting services to the Trust. For the year ended February 28, 2014, expenses incurred under these agreement are shown in the Statement of Operations as *Administrative services fees*.

Certain officers and trustees of the Trust are officers and directors of Invesco.

### **NOTE 3 Additional Valuation Information**

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, under current market conditions. GAAP establishes a hierarchy that prioritizes the inputs to valuation methods, giving the highest priority to readily available unadjusted quoted prices in an active market for identical assets (Level 1) and the lowest priority to

significant unobservable inputs (Level 3), generally when market prices are not readily available or are unreliable. Based on the valuation inputs, the securities or other investments are tiered into one of three levels. Changes in valuation methods may result in transfers in or out of an investment's assigned level:

- Level 1 Prices are determined using quoted prices in an active market for identical assets.
- Level 2 Prices are determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, yield curves, loss severities, default rates, discount rates, volatilities and others.
- Level 3 Prices are determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs reflect the Trust's own assumptions about the factors market participants would use in determining fair value of the securities or instruments and would be based on the best available information.

As of February 28, 2014, all of the securities in this Trust were valued based on Level 2 inputs (see the Schedule of Investments for security categories). The level assigned to the securities valuations may not be an indication of the risk or liquidity associated with investing in those securities. Because of the inherent uncertainties of valuation, the values reflected in the financial statements may materially differ from the value received upon actual sale of those investments.

#### **NOTE 4 Security Transactions with Affiliated Funds**

The Fund is permitted to purchase or sell securities from or to certain other Invesco Funds under specified conditions outlined in procedures adopted by the Board of Trustees of the Trust. The procedures have been designed to ensure that any purchase or sale of securities by the Fund from or to another fund or portfolio that is or could be considered an affiliate by virtue of having a common investment adviser (or affiliated investment advisers), common Trustees and/or common officers complies with Rule 17a-7 of the 1940 Act. Further, as defined under the procedures, each transaction is effected at the current market price. Pursuant to these procedures, for the year ended February 28, 2014 the Fund engaged in securities purchases of \$354,676.

#### **NOTE 5 Trustees and Officers Fees and Benefits**

*Trustees and Officers Fees and Benefits* include amounts accrued by the Trust to pay remuneration to certain Trustees and Officers of the Trust. Trustees have the option to defer compensation payable by the Trust, and *Trustees and Officers Fees and Benefits* also include amounts accrued by the Trust to fund such deferred compensation amounts. Those Trustees who defer compensation have the option to select various Invesco Trusts in which their deferral accounts shall be deemed to be invested. Finally, certain current Trustees were eligible to participate in a retirement plan that provided for benefits to be paid upon retirement to Trustees over a period of time based on the number of years of service. The Trust may have certain former Trustees who also participate in a retirement plan and receive benefits under such plan. *Trustees and Officers Fees and Benefits* include amounts accrued by the Trust to fund such retirement benefits. Obligations under the deferred compensation and retirement plans represent unsecured claims against the general assets of the Trust.

#### **NOTE 6 Cash Balances and Borrowings**

The Trust is permitted to temporarily carry a negative or overdrawn balance in its account with State Street Bank and Trust Company, the custodian bank. Such balances, if any at period end, are shown in the Statement of Assets and Liabilities under the payable caption *Amount due custodian*. To compensate the custodian bank for such overdrafts, the overdrawn Trust may either (1) leave funds as a compensating balance in the account so the custodian bank can be compensated by earning the additional interest; or (2) compensate by paying the custodian bank at a rate agreed upon

by the custodian bank and Invesco, not to exceed the contractually agreed upon rate.

Inverse floating rate obligations resulting from the transfer of bonds to Dealer Trusts are accounted for as secured borrowings. The average floating rate notes outstanding and average annual interest and fee rate related to inverse floating rate note obligations during the year ended February 28, 2014 were \$200,109,231 and 0.62%, respectively.

**NOTE 7 Distributions to Shareholders and Tax Components of Net Assets**

**Tax Character of Distributions to Shareholders Paid During the Years Ended February 28, 2014 and 2013:**

	<b>2014</b>	<b>2013</b>
Ordinary income tax-exempt income	\$ 43,034,192	\$ 28,781,225
Ordinary income tax-exempt VMTP shares	2,635,541	1,668,539
Total distributions	\$ 45,669,733	\$ 30,449,764

**Tax Components of Net Assets at Period-End:**

	<b>2014</b>
Undistributed ordinary income	\$ 486,475
Net unrealized appreciation investments	52,423,593
Temporary book/tax differences	(277,083)
Post-October deferrals	(4,192,952)
Capital loss carryforward	(83,842,608)
Shares of beneficial interest	721,850,149
Total net assets	\$ 686,447,574

The difference between book-basis and tax-basis unrealized appreciation (depreciation) is due to differences in the timing of recognition of gains and losses on investments for tax and book purposes. The Trust's net unrealized appreciation difference is attributable primarily to TOBs and book to tax accretion and amortization differences.

The temporary book/tax differences are a result of timing differences between book and tax recognition of income and/or expenses. The Trust's temporary book/tax differences are the result of the trustee deferral of compensation and retirement plan benefits.

Capital loss carryforward is calculated and reported as of a specific date. Results of transactions and other activity after that date may affect the amount of capital loss carryforward actually available for the Trust to utilize. Capital losses generated in years beginning after December 22, 2010 can be carried forward for an unlimited period, whereas previous losses expire in 8 tax years. Capital losses with an expiration period may not be used to offset capital gains until all net capital losses without an expiration date have been utilized. Capital loss carryforwards with no expiration date will retain their character as either short-term or long-term capital losses instead of as short-term capital losses as under prior law. The ability to utilize capital loss carryforward in the future may be limited under the Internal Revenue Code and related regulations based on the results of future transactions.

The Trust has a capital loss carryforward as of February 28, 2014, which expires as follows:

<b>Capital Loss Carryforward*</b>			
<b>Expiration</b>	<b>Short-Term</b>	<b>Long-Term</b>	<b>Total</b>
February 28, 2015	\$ 4,539,569	\$	\$ 4,539,569
February 29, 2016	31,831,662		31,831,662
February 28, 2017	29,575,590		29,575,590
February 28, 2018	4,534,854		4,534,854
February 28, 2019	172,617		172,617
Not subject to expiration	5,938,066	7,250,250	13,188,316
	<b>\$ 76,592,358</b>	<b>\$ 7,250,250</b>	<b>\$ 83,842,608</b>

\*Capital loss carryforward as of the date listed above is reduced for limitations, if any, to the extent required by the Internal Revenue Code and may be further limited depending upon a variety of factors, including the realization of net unrealized gains or losses as of the date of any reorganization.

#### **NOTE 8 Investment Securities**

The aggregate amount of investment securities (other than short-term securities, U.S. Treasury obligations and money market funds, if any) purchased and sold by the Trust during the year ended February 28, 2014 was \$262,192,470 and \$252,365,730, respectively. Cost of investments on a tax basis includes the adjustments for financial reporting purposes as of the most recently completed federal income tax reporting period-end.

#### **Unrealized Appreciation (Depreciation) of Investment Securities on a Tax Basis**

Aggregate unrealized appreciation of investment securities	\$ 62,459,175
Aggregate unrealized (depreciation) of investment securities	(10,035,582)
Net unrealized appreciation of investment securities	\$ 52,423,593

Cost of investments for tax purposes is \$1,032,131,080.

**NOTE 9 Reclassification of Permanent Differences**

Primarily as a result of differing book/tax treatment of VMTP Shares and expired capital loss carryforward, on February 28, 2014, undistributed net investment income was increased by \$199,291, undistributed net realized gain (loss) was increased by \$551,485 and shares of beneficial interest was decreased by \$750,776. This reclassification had no effect on the net assets of the Trust.

**NOTE 10 Common Shares of Beneficial Interest**

Transactions in common shares of beneficial interest were as follows:

	<b>Years ended February 28,</b>	
	<b>2014</b>	<b>2013</b>
Beginning shares	\$ 52,883,797	\$ 23,505,265
Shares issued in connection with acquisition <sup>(a)</sup>		29,378,532
Ending shares	\$ 52,883,797	\$ 52,883,797

<sup>(a)</sup> As of the open of business on October 15, 2012, Invesco Quality Municipal Investment Trust and Invesco Quality Municipal Securities (the Target Trusts ) merged with and into the Trust pursuant to a plan of reorganization approved by the Trustees of the Trust on November 30, 2011 and by the shareholders of the Target Trusts on August 14, 2012. The reorganization was accomplished by a tax-free exchange of 29,378,532 shares of the Trust for 13,865,371 shares outstanding of Invesco Quality Municipal Investment Trust and 13,454,167 shares outstanding of Invesco Quality Municipal Securities as of the close of business on October 12, 2012. Common shares of the Target Trusts were exchanged for common shares of the Trust, based on the relative net asset value of the Target Trusts to the net asset value of the Trust as of the close of business on October 12, 2012. Invesco Quality Municipal Investment Trust's net assets as of the close of business on October 12, 2012 of \$206,182,005, including \$30,279,478 of unrealized appreciation and Invesco Quality Municipal Securities' net assets as of the close of business on October 12, 2012 of \$212,175,416, including \$29,550,008 of unrealized appreciation, were combined with those of the Trust. The net assets of the Trust immediately before the reorganization were \$334,634,947 and \$752,992,368 immediately after the reorganization.



The pro forma results of operations for the year ended February 28, 2013 assuming the reorganization had been completed on March 1, 2012, the beginning of the annual reporting period are as follows:

Net investment income	\$ 42,312,373
Net realized/unrealized gains	23,424,969
Change in net assets resulting from operations	\$ 65,737,342

As the combined investment portfolios have been managed as a single integrated portfolio since the reorganization was completed, it is not practicable to separate the amounts of revenue and earnings of the Target Trusts that have been included in the Trust's Statement of Operations since October 15, 2012.

The Trust may, when appropriate, purchase shares in the open market or in privately negotiated transactions at a price not above market value or net asset value, whichever is lower at the time of purchase.

#### **NOTE 11 Variable Rate Muni Term Preferred Shares**

On May 17, 2012, the Trust issued 1,168 Series 2015/12-IQI VMTP Shares, with a liquidation preference of \$100,000 per share pursuant to an offering exempt from registration under the Securities Act of 1933. Proceeds from the issuance of VMTP Shares on May 17, 2012 were used to redeem all of the Trust's outstanding ARPS. In addition, the Trust issued 971 Series 2015/12-IQI VMTP Shares in connection with the reorganization of Invesco Quality Municipal Securities and Invesco Quality Municipal Investments Trust into the Trust with a liquidation preference of \$100,000 per share. VMTP Shares are a floating-rate form of preferred shares with a mandatory redemption date. The Trust is required to redeem all outstanding VMTP Shares on December 1, 2015, unless earlier redeemed, repurchased or extended. VMTP Shares are subject to optional and mandatory redemption in certain circumstances. The redemption price per share is equal to the sum of the liquidation value per share plus any accumulated but unpaid dividends and a redemption premium, if any. On or prior to the redemption date, the Trust will be required to segregate assets having a value equal to 110% of the redemption amount.

The Trust incurred costs in connection with the issuance of the VMTP Shares. These costs were recorded as a deferred charge and will be amortized over 3 years. Amortization of these costs is included in *Interest, facilities and maintenance fees* on the Statement of Operations and the unamortized balance is included in *Deferred offering costs* on the Statement of Assets and Liabilities.

Dividends paid on the VMTP Shares (which are treated as interest expense for financial reporting purposes) are declared daily and paid monthly. The initial rate for dividends is equal to the sum of 1.15% per annum plus the Securities Industry and Financial Markets Association Municipal Swap Index (the "SIFMA Index"). Subsequent rates will be determined based upon changes in the SIFMA Index and take into account a ratings spread of 1.20% to 1.38% which is based on the long term preferred share ratings assigned to the VMTP Shares by a ratings agency. The average liquidation value outstanding and the average annualized dividend rate of the VMTP Shares during the year ended February 28, 2014 were \$213,900,000 and 1.23%, respectively.

The Trust is subject to certain restrictions relating to the VMTP Shares, such as maintaining certain asset coverage and leverage ratio requirements. Failure to comply with these restrictions could preclude the Trust from declaring any distributions to common shareholders or purchasing common shares and/or could trigger the mandatory redemption of VMTP Shares at liquidation value.

For financial reporting purposes, the liquidation value of VMTP Shares, which are considered debt of the Trust, is recorded as a liability under the caption *Variable rate muni term preferred shares* on the Statement of Assets and Liabilities. Unpaid dividends on VMTP Shares are recognized as *Accrued interest expense* on the Statement of Assets

and Liabilities. Dividends paid on VMTP Shares are recognized as a component of *Interest, facilities and maintenance fees* on the Statement of Operations.

**NOTE 12 Dividends**

The Trust declared the following dividends to common shareholders from net investment income subsequent to February 28, 2014:

<b>Declaration Date</b>	<b>Amount per Share</b>	<b>Record Date</b>	<b>Payable Date</b>
March 1, 2014	\$ 0.0650	March 14, 2014	March 31, 2014
April 1, 2014	\$ 0.0650	April 14, 2014	April 30, 2014

**NOTE 13 Financial Highlights**

The following schedule presents financial highlights for a share of the Trust outstanding throughout the periods indicated.

	Years ended February 28,		Year ended February 28	Years ended October 31,		
	2014	2013	2012	Four months ended February 28, 2011	2010	2009
Net asset value per common share, beginning of period	\$ 14.27	\$ 13.88	\$ 12.19	\$ 13.40	\$ 12.61	\$ 11.12
Net investment income <sup>(a)</sup>	0.78	0.79	0.84	0.27	0.93	0.96
Net gains (losses) on securities (both realized and unrealized)	(1.26)	0.47	1.74	(1.19)	0.74	1.36
Distributions paid to auction rate preferred shareholders from net investment income <sup>(a)</sup>	N/A	(0.00)	(0.02)	(0.01)	(0.02)	(0.05)
Total from investment operations	(0.48)	1.26	2.56	(0.93)	1.65	2.27
Less distributions paid to common shareholders from net investment income	(0.81)	(0.87)	(0.87)	(0.28)	(0.86)	(0.78)
Net asset value per common share, end of period	\$ 12.98	\$ 14.27	\$ 13.88	\$ 12.19	\$ 13.40	\$ 12.61
Market value per common share, end of period	\$ 11.86	\$ 13.64	\$ 14.16	\$ 11.81	\$ 13.37	\$ 11.80
Total return at net asset value <sup>(b)</sup>	(2.59)%	9.27%	21.91%	(6.85)%	13.59%	
Total return at market value <sup>(c)</sup>	(6.88)%	2.38%	28.37%	(9.55)%	21.12%	37.92%
Net assets applicable to common shares, end of period (000 s omitted)	\$ 686,448	\$ 754,483	\$ 326,271	\$ 286,628	\$ 314,899	\$ 296,499
Portfolio turnover rate <sup>(d)</sup>	23%	20%	26%	3%	11%	16%

<b>Ratios/supplemental data based on average net assets applicable to common shares:</b>						
Ratio of expenses:						
With fee waivers and/or expense reimbursements	1.11% <sup>(e)</sup>	1.15%	1.07% <sup>(f)</sup>	1.40% <sup>(f)(g)(h)</sup>	0.92% <sup>(f)</sup>	1.13% <sup>(f)(i)</sup>
With fee waivers and/or expense reimbursements excluding interest, facilities and maintenance fees <sup>(j)</sup>	0.53% <sup>(e)</sup>	0.59%	0.84% <sup>(f)</sup>	1.20% <sup>(f)(g)(h)</sup>	0.76% <sup>(f)</sup>	0.83% <sup>(f)(i)</sup>
Without fee waivers and/or expense reimbursements	1.57% <sup>(e)</sup>	1.40%	1.07% <sup>(f)</sup>	1.40% <sup>(f)(g)(h)</sup>	0.92% <sup>(f)</sup>	1.13% <sup>(f)(i)</sup>
Ratio of net investment income before preferred share dividends	6.04% <sup>(e)</sup>	5.60%	6.51%	6.65% <sup>(g)</sup>	7.11%	8.30% <sup>(i)</sup>
Preferred share dividends	N/A	0.02%	0.12%	0.19% <sup>(g)</sup>	0.18%	0.46%
Ratio of net investment income after preferred share dividends	6.04% <sup>(e)</sup>	5.58%	6.39%	6.46% <sup>(g)</sup>	6.93%	7.84% <sup>(i)</sup>
Rebate from Morgan Stanley affiliate						0.01%
<b>Senior securities:</b>						
Total amount of preferred shares outstanding (000 s omitted)	\$ 213,900	\$ 213,900	\$ 116,850	\$ 137,650		
Asset coverage per preferred share <sup>(k)</sup>	\$ 420,852	\$ 452,601	\$ 189,611	\$ 154,115	329%	315%
Liquidating preference per preferred share	\$ 100,000	\$ 100,000	\$ 50,000	\$ 50,000		

<sup>(a)</sup> Calculated using average shares outstanding.

<sup>(b)</sup> Includes adjustments in accordance with accounting principles generally accepted in the United States of America and as such, the net asset value for financial reporting purposes and the returns based upon those net asset values may differ from the net asset value and returns for shareholder transactions. Not annualized for periods less than one year, if applicable.

<sup>(c)</sup> Total return assumes an investment at the common share market price at the beginning of the period indicated, reinvestment of all distributions for the period in accordance with the Trust's dividend reinvestment plan, and sale of all shares at the closing common share market price at the end of the period indicated. Not annualized for periods

less than one year, if applicable.

- (d) Portfolio turnover is calculated at the fund level and is not annualized for periods less than one year, if applicable. For the period ended February 28, 2013, the portfolio turnover calculation excludes the value of securities purchased of \$444,360,729 and sold of \$20,353,926 in the effort to realign the Trust's portfolio holdings after the reorganization of Invesco Quality Municipal Investment Trust and Invesco Quality Municipal Securities into the Trust.
- (e) Ratios are based on average daily net assets applicable to common shares (000's omitted) of \$683,369.
- (f) Ratios do not reflect the effect of dividend payments to preferred shareholders.
- (g) Annualized.
- (h) Ratio includes an adjustment for a change in accounting estimate for professional fees during the period. Ratios excluding this adjustment would have been lower by 0.15%.
- (i) The ratios reflect the rebate of certain Trust expenses in connection with investments in a Morgan Stanley affiliate during the period. The effect of the rebate on the ratios is disclosed in the above table as Rebate from Morgan Stanley affiliate.
- (j) For the years ended October 31, 2010 and prior, ratio does not exclude facilities and maintenance fees.
- (k) Calculated by subtracting the Trust's total liabilities (not including the preferred shares) from the Trust's total assets and dividing this by the number of preferred shares outstanding. For periods prior to February 28, 2011, calculated by subtracting the Trust's total liabilities (not including the preferred shares) from the Trust's total assets and dividing by preferred shares at liquidation value.

N/A= Not applicable

## **NOTE 14 Legal Proceedings**

*Terms used in the Legal Proceedings Note are defined terms solely for the purpose of this note.*

### **Pending Litigation and Regulatory Inquiries**

The Trust received two shareholder demand letters dated July 16, 2010 and March 25, 2011. The shareholder in the July 16, 2010 demand letter alleged that the former Adviser and certain individuals breached their fiduciary duties and wasted Trust assets by causing the Trust to redeem Auction Rate Preferred Securities (ARPS) at their liquidation value at the expense of the Trust and common shareholders. The shareholder in the demand letter dated March 25, 2011 alleged that the Adviser and certain current board and officers of the Trust breached their fiduciary duties and wasted Trust assets by causing the Trust to redeem ARPS at their liquidation value, although the actions complained of occurred prior to the election of the current board and appointment of current officers and prior to the tenure of the current adviser. The shareholders in both letters claimed that the Trust was not obliged to provide liquidity to the preferred shareholders, the redemptions were improperly motivated to benefit the Adviser, and the market value and fair value of the ARPS were less than liquidation value at the time they were redeemed. The shareholders demand that: 1) the Board take action against the Adviser and individuals to recover damages; 2) the Board refrain from authorizing further redemptions or repurchases of ARPS by the Trust at prices in excess of fair value or market value at the time of the transaction; and 3) the Board institute corporate governance measures. The Board formed a Special Litigation Committee ( SLC ) to investigate these claims and make a recommendation to the Board regarding whether pursuit of these claims is in the best interests of the Trust. Upon completion of its evaluation, the SLC recommended that the Board reject the demands specified in the shareholder demand letters, after which the Board publicly announced on July 12, 2011, that it had adopted the SLC 's recommendation and voted to reject the demands. The Trust has accrued \$56,254 in expenses relating to these matters during the year ended February 28, 2014.

Management of Invesco and the Trust believe that the outcome of the demand letter described above will have no material adverse effect on the Trust or on the ability of Invesco to provide ongoing services to the Trust.

The Invesco Quality Municipal Investment Trust ( Trust ), which merged into the Invesco Quality Municipal Income Trust received a shareholder demand letter dated September 1, 2010 alleging that the certain individuals and the former Adviser breached their fiduciary duties and wasted Trust assets by causing the Trust to redeem Auction Rate Preferred Securities ( ARPS ) at their liquidation value at the expense of the Trust and common shareholders. The shareholder claimed that the Trust was not obliged to provide liquidity to preferred shareholders, the redemptions were improperly motivated to benefit the Adviser, and the market value and fair value of the ARPS were less than par at the time they were redeemed. The shareholder demanded that: 1) the Board take action against the prior adviser and individuals to recover damages and 2) the Board refrain from authorizing further redemptions or repurchases of ARPS by the Trust at prices in excess of fair value or market value at the time of the transaction. The Board formed a Special Litigation Committee ( SLC ) to investigate these claims and to make a recommendation to the Board regarding whether pursuit of these claims is in the best interests of the Trusts. Upon completion of its evaluation, the SLC recommended that the Board reject the demands specified in the shareholder demand letter, after which the Board publicly announced on July 12, 2011, that it had adopted the SLC 's recommendation and voted to reject the demands. The Trust is not the subject of a lawsuit in connection with this demand letter.

Management of Invesco and the Trust believe that the outcome of the demand letter described above will have no material adverse effect on the Trust or on the ability of Invesco to provide ongoing services to the Trust.

**Report of Independent Registered Public Accounting Firm**

To the Board of Trustees and Shareholders of Invesco Quality Municipal Income Trust:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations, of changes in net assets and of cash flows and the financial highlights present fairly, in all material respects, the financial position of Invesco Quality Municipal Income Trust (hereafter referred to as the Trust ) at February 28, 2014, the results of its operations and cash flows for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the three years in the period then ended, the four month period ended February 28, 2011 and the year ended October 31, 2010, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as financial statements ) are the responsibility of the Trust s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at February 28, 2014 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion. The financial highlights of the Trust for the period ended October 31, 2009 were audited by another independent registered public accounting firm whose report dated December 24, 2009 expressed an unqualified opinion on such financial statement.

PRICEWATERHOUSECOOPERS LLP

April 28, 2014

Houston, Texas

**Tax Information**

Form 1099-DIV, Form 1042-S and other year end tax information provide shareholders with actual calendar year amounts that should be included in their tax returns. Shareholders should consult their tax advisors.

The following distribution information is being provided as required by the Internal Revenue Code or to meet a specific state's requirement.

The Trust designates the following amounts or, if subsequently determined to be different, the maximum amount allowable for its fiscal year ended February 28, 2014:

<b>Federal and State Income Tax</b>	
Qualified Dividend Income*	0%
Corporate Dividends Received Deduction*	0%
U.S. Treasury Obligations*	0%
Tax-Exempt Interest Dividends*	100%

\* The above percentages are based on ordinary income dividends paid to shareholders during the Trust's fiscal year.



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**Trustees and Officers**

The address of each trustee and officer is 1555 Peachtree Street, N.E., Atlanta, Georgia 30309. Generally, each trustee serves for a three year term or until his or her successor has been duly elected and qualified, and each officer serves for a one year term or until his or her successor has been duly elected and qualified. Column two below includes length of time served with predecessor entities, if any.

Name, Year of Birth and Position(s) Held with the Trust Interested Persons	Trustee and/ or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Martin L. Flanagan <sup>1</sup> 1960 Trustee	2007	Executive Director, Chief Executive Officer and President, Invesco Ltd. (ultimate parent of Invesco and a global investment management firm); Advisor to the Board, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Trustee, The Invesco Funds; Vice Chair, Investment Company Institute; and Member of Executive Board, SMU Cox School of Business	123	None
		Formerly: Chairman and Chief Executive Officer, Invesco Advisers, Inc. (registered investment adviser); Director, Chairman, Chief Executive Officer and President, IVZ Inc. (holding company), INVESCO Group Services, Inc. (service provider) and Invesco North American Holdings, Inc. (holding company); Director, Chief Executive Officer and President, Invesco Holding Company Limited (parent of Invesco and a global investment management firm); Director, Invesco Ltd.; Chairman, Investment Company Institute and President, Co-Chief Executive Officer, Co-President, Chief Operating		

<p>Philip A. Taylor<sup>2</sup> 1954</p> <p>Trustee, President and Principal Executive Officer</p>	<p>2006</p>	<p>Officer and Chief Financial Officer, Franklin Resources, Inc. (global investment management organization).                  Head of North American Retail and Senior Managing Director, Invesco Ltd.; Director, Co-Chairman, Co-President and Co-Chief Executive Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Director, Chairman, Chief Executive Officer and President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) (financial services holding company); Director and President, INVESCO Funds Group, Inc. (registered investment adviser and registered transfer agent); Director and Chairman, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) (registered transfer agent) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.) (registered broker dealer); Director, President and Chairman, Invesco Inc. (holding company) and Invesco Canada Holdings Inc. (holding company); Chief Executive Officer, Invesco Corporate Class Inc. (corporate mutual fund company) and Invesco Canada Fund Inc. (corporate mutual fund company); Director, Chairman and Chief Executive Officer, Invesco Canada Ltd. (formerly known as Invesco Trimark Ltd./Invesco Trimark Ltée) (registered investment adviser and registered transfer agent); Trustee, President and Principal Executive Officer, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); Trustee and Executive Vice President, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and</p>	<p>123</p>	<p>None</p>
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Short-Term Investments Trust only);  
Director, Invesco Investment  
Advisers LLC (formerly known as  
Van Kampen Asset Management);  
Director, Chief Executive Officer  
and President, Van Kampen  
Exchange Corp.

Formerly: Director and Chairman,  
Van Kampen Investor Services Inc.;  
Director, Chief Executive Officer  
and President, 1371 Preferred Inc.  
(holding company); and Van  
Kampen Investments Inc.; Director  
and President, AIM GP Canada Inc.  
(general partner for limited  
partnerships); and Van Kampen  
Advisors, Inc.; Director and Chief  
Executive Officer, Invesco Trimark  
Dealer Inc. (registered broker  
dealer); Director, Invesco  
Distributors, Inc. (formerly known as  
Invesco Aim Distributors, Inc.)  
(registered broker dealer); Manager,  
Invesco PowerShares Capital  
Management LLC; Director, Chief  
Executive Officer and President,  
Invesco Advisers, Inc.; Director,  
Chairman, Chief Executive Officer  
and President, Invesco Aim Capital  
Management, Inc.; President,  
Invesco Trimark Dealer Inc. and  
Invesco Trimark Ltd./Invesco  
Trimark Ltée; Director and  
President, AIM Trimark Corporate  
Class Inc. and AIM Trimark Canada  
Fund Inc.; Senior Managing  
Director, Invesco Holding Company  
Limited; Trustee and Executive Vice  
President, Tax-Free Investments  
Trust; Director and Chairman, Fund  
Management Company (former  
registered broker dealer); President  
and Principal Executive Officer, The  
Invesco Funds (AIM Treasurer's  
Series Trust (Invesco Treasurer's  
Series Trust), Short-Term  
Investments Trust and Tax-Free  
Investments Trust only); President,

Wayne W. Whalen <sup>3</sup> 1939 Trustee	2010	AIM Trimark Global Fund Inc. and AIM Trimark Canada Fund Inc. Of Counsel, and prior to 2010, partner in the law firm of Skadden, Arps, Slate, Meagher & Flom LLP, legal counsel to certain funds in the Fund Complex.	136	Director of the Mutual Fund Directors Forum, a nonprofit membership organization for investment directors; Chairman and Director of the Abraham Lincoln Presidential Library Foundation; and Director of the Stevenson Center for Democracy
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- <sup>1</sup> Mr. Flanagan is considered an interested person of the Trust because he is an officer of the adviser to the Trust, and an officer and a director of Invesco Ltd., ultimate parent of the adviser to the Trust.
- <sup>2</sup> Mr. Taylor is considered an interested person of the Trust because he is an officer and a director of the adviser to, and a director of the principal underwriter of, the Trust.
- <sup>3</sup> Mr. Whalen is considered an interested person (within the meaning of Section 2(a)(19) of the 1940 Act) of certain funds in the Fund Complex because his firm currently provides legal services as legal counsel to such Funds.

**T-1 Invesco Quality Municipal Income Trust**

**Trustees and Officers (continued)**

<b>Name, Year of Birth and Position(s) Held with the Trust</b>	<b>Trustee and/ or Officer Since</b>	<b>Principal Occupation(s) During Past 5 Years</b>	<b>Number of Funds in Fund Complex Overseen by Trustee</b>	<b>Other Directorship(s) Held by Trustee During Past 5 Years</b>
<b>Independent Trustees</b> Bruce L. Crockett 1944 Trustee and Chair	1993	Chairman, Crockett Technologies Associates (technology consulting company)  Formerly: Director, Captaris (unified messaging provider); Director, President and Chief Executive Officer COMSAT Corporation; Chairman, Board of Governors of INTELSAT (international communications company); ACE Limited (insurance company); and Investment Company Institute	123	ALPS (Attorneys Liability Protection Society) (insurance company)
David C. Arch 1945 Trustee	2010	Chairman of Blistex Inc., a consumer health care products manufacturer	136	Board member of the Illinois Manufacturers Association; Member of the Board of Visitors, Institute for the Humanities University of Michigan; Member of the Audit Committee of the Edward-Elmhurst Hospital
Frank S. Bayley 1939 Trustee	2001	Retired. Formerly: Director, Badgley Funds Inc. (registered investment company) (2 portfolios) and General Partner and Of Counsel, law firm of Baker & McKenzie, LLP	123	Director and Chairman, C.D. Stimson Company (a real estate investment company); Trustee, The Curtis Institute of Music

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James T. Bunch Trustee	1942	2003	Managing Member, Grumman Hill Group LLC (family office private equity investments)	123	Chairman, Board of Governors, Western Golf Association, Chairman, Evans Scholars Foundation and Director, Denver Film Society
Rodney F. Dammeyer Trustee	1940	2010	Formerly: Founder, Green Manning & Bunch Ltd. (investment banking firm) (1988-2010); Executive Committee, United States Golf Association; and Director, Policy Studies, Inc. and Van Gilder Insurance Corporation. Chairman of CAC, LLC, (private company offering capital investment and management advisory services)	123	Director of Quidel Corporation and Stericycle, Inc.
Albert R. Dowden Trustee	1941	2000	Formerly: Prior to 2001, Managing Partner at Equity Group Corporate Investments. Prior to 1995, Chief Executive Officer of Intel Corporation (formerly Anixter International) Prior to 1985, experience includes Senior Vice President and Chief Financial Officer of Household International, Inc., Executive Vice President and Chief Financial Officer of Northwest Industries, Inc. and Partner of Arthur Andersen & Co.; From 1987 to 2010, Director/Trustee of investment companies in the Van Kampen Funds complex Director of a number of public and private business corporations, including the Boss Group, Ltd. (private investment and management); Nature's Sunshine Products, Inc. and Reich & Tang Funds (5 portfolios) (registered investment company)  Formerly: Director, Homeowners of America Holding Corporation/Homeowners of	123	Director of: Nature's Sunshine Products, Inc., Reich & Tang Funds, Homeowners of America Holding Corporation/ Homeowners of America Insurance Company, the Boss Group

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Jack M. Fields Trustee	1952	1997	<p>America Insurance Company (property casualty company); Director, Continental Energy Services, LLC (oil and gas pipeline service); Director, CompuDyne Corporation (provider of product and services to the public security market) and Director, Annuity and Life Re (Holdings), Ltd. (reinsurance company); Director, President and Chief Executive Officer, Volvo Group North America, Inc.; Senior Vice President, AB Volvo; Director of various public and private corporations; Chairman, DHJ Media, Inc.; Director, Magellan Insurance Company; and Director, The Hertz Corporation, Genmar Corporation (boat manufacturer), National Media Corporation; Advisory Board of Rotary Power International (designer, manufacturer, and seller of rotary power engines); and Chairman, Cortland Trust, Inc. (registered investment company)</p> <p>Chief Executive Officer, Twenty First Century Group, Inc. (government affairs company); Owner and Chief Executive Officer, Dos Angeles Ranch, L.P. (cattle, hunting, corporate entertainment); and Discovery Global Education Fund (non-profit)</p>	123	Insperty, Inc. (formerly known as Administaff)
Prema Mathai-Davis Trustee	1950	1998	Formerly: Chief Executive Officer, Texana Timber LP (sustainable forestry company); Director of Cross Timbers Quail Research Ranch (non-profit); and member of the U.S. House of Representatives Retired. Formerly: Chief Executive Officer, YWCA of the U.S.A.	123	None
Larry Soll Trustee	1942	2003	Retired. Formerly: Chairman, Chief Executive Officer and President, Synergen Corp. (a biotechnology company)	123	None

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**Invesco Quality Municipal Income Trust**



**Trustees and Officers (continued)**

<b>Name, Year of Birth and Position(s) Held with the Trust</b>	<b>Trustee and/ or Officer Since</b>	<b>Principal Occupation(s) During Past 5 Years</b>	<b>Number of Funds in Fund Complex Overseen by Trustee</b>	<b>Other Directorship(s) Held by Trustee During Past 5 Years</b>
<b>Independent Trustees (continued)</b> Hugo F. Sonnenschein	1940	2010 President Emeritus and Honorary Trustee of the University of Chicago and the Adam Smith Distinguished Service Professor in the Department of Economics at the University of Chicago. Prior to 2000, President of the University of Chicago	136	Trustee of the University of Rochester and a member of its investment committee; Member of the National Academy of Sciences and the American Philosophical Society; Fellow of the American Academy of Arts and Sciences
Trustee				
Raymond Stickel, Jr.	1944	2005 Retired. Formerly: Director, Mainstay VP Series Funds, Inc. (25 portfolios) and Partner, Deloitte & Touche	123	None
Trustee				
<b>Other Officers</b> Russell C. Burk	1958	2005 Senior Vice President and Senior Officer, The Invesco Funds	N/A	N/A
Senior Vice President and				
Senior Officer John M. Zerr	1962	2006 Director, Senior Vice President, Secretary and General Counsel, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Senior Vice President and Secretary, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Vice President	N/A	N/A
Senior Vice President, Chief Legal Officer and Secretary				

and Secretary, Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.) and IVZ Distributors, Inc. (formerly known as INVESCO Distributors, Inc.); Director and Vice President, INVESCO Funds Group, Inc.; Senior Vice President, Chief Legal Officer and Secretary, The Invesco Funds; Manager, Invesco PowerShares Capital Management LLC; Director, Secretary and General Counsel, Invesco Investment Advisers LLC (formerly known as Van Kampen Asset Management); Secretary and General Counsel, Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.) and Chief Legal Officer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust

Formerly: Director and Vice President, Van Kampen Advisors Inc.; Director, Vice President, Secretary and General Counsel, Van Kampen Investor Services Inc.; Director, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Senior Vice President, General Counsel and Secretary, Invesco Aim Advisers, Inc. and Van Kampen Investments Inc.; Director, Vice President and Secretary, Fund Management Company; Director, Senior Vice President, Secretary, General Counsel and Vice President, Invesco Aim Capital Management, Inc.; Chief Operating Officer and General Counsel, Liberty Ridge Capital, Inc. (an investment adviser); Vice President and Secretary, PBHG Funds (an investment company) and PBHG Insurance Series Fund (an investment company); Chief Operating Officer, General Counsel and Secretary, Old Mutual Investment Partners (a broker-dealer); General Counsel and Secretary, Old Mutual Fund Services (an administrator) and Old Mutual Shareholder Services (a

Sheri Morris	1964	1999	<p>shareholder servicing center); Executive Vice President, General Counsel and Secretary, Old Mutual Capital, Inc. (an investment adviser); and Vice President and Secretary, Old Mutual Advisors Funds (an investment company)</p> <p>Vice President, Treasurer and Principal Financial Officer, The Invesco Funds; Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); and Vice President, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust</p>	N/A	N/A
<p>Vice President, Treasurer and Principal Financial Officer</p>			<p>Formerly: Vice President, Invesco Aim Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.; Assistant Vice President and Assistant Treasurer, The Invesco Funds and Assistant Vice President, Invesco Advisers, Inc., Invesco Aim Capital Management, Inc. and Invesco Aim Private Asset Management, Inc.; and Treasurer, PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust</p>		

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## Trustees and Officers (continued)

Name, Year of Birth and Position(s) Held with the Trust Other Officers (continued)	Trustee and/or Officer Since	Principal Occupation(s) During Past 5 Years	Number of Funds in Fund Complex Overseen by Trustee	Other Directorship(s) Held by Trustee During Past 5 Years
Karen Dunn Kelley 1960 Vice President	1993	<p>Senior Managing Director, Investments; Director, Co-President, Co-Chief Executive Officer, and Co-Chairman, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Chairman, Invesco Senior Secured Management, Inc.; Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.); Executive Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.); Director, Invesco Mortgage Capital Inc. and Invesco Management Company Limited; Director and President, INVESCO Asset Management (Bermuda) Ltd., Vice President, The Invesco Funds (other than AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust); and President and Principal Executive Officer, The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust) and Short-Term Investments Trust only)</p> <p>Formerly: Director, INVESCO Global Asset Management Limited and INVESCO Management S.A.; Senior Vice President, Van Kampen Investments Inc. and Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser); Vice President, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.); Director of Cash Management and Senior Vice President,</p>	N/A	N/A

<p>Crissie M. Wisdom 1969</p> <p>Anti-Money Laundering Compliance Officer</p>	<p>2013</p>	<p>Invesco Advisers, Inc. and Invesco Aim Capital Management, Inc.; President and Principal Executive Officer, Tax-Free Investments Trust; Director and President, Fund Management Company; Chief Cash Management Officer, Director of Cash Management, Senior Vice President, and Managing Director, Invesco Aim Capital Management, Inc.; Director of Cash Management, Senior Vice President, and Vice President, Invesco Advisers, Inc. and The Invesco Funds (AIM Treasurer's Series Trust (Invesco Treasurer's Series Trust), Short-Term Investments Trust and Tax-Free Investments Trust only)</p> <p>Anti-Money Laundering Compliance Officer, Invesco Advisers, Inc. (formerly known as Invesco Institutional (N.A.), Inc.) (registered investment adviser), Invesco Capital Markets, Inc. (formerly known as Van Kampen Funds Inc.), Invesco Distributors, Inc., Invesco Investment Services, Inc., Invesco Management Group, Inc., Van Kampen Exchange Corp., The Invesco Funds, Invesco Funds (Chicago), and PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust, and PowerShares Actively Managed Exchange-Traded Fund Trust; and Fraud Prevention Manager and Controls and Risk Analysis Manager for Invesco Investment Services, Inc.</p>	<p>N/A</p>	<p>N/A</p>
<p>Todd L. Spillane 1958</p> <p>Chief Compliance Officer</p>	<p>2006</p>	<p>Senior Vice President, Invesco Management Group, Inc. (formerly known as Invesco Aim Management Group, Inc.) and Van Kampen Exchange Corp.; Senior Vice President and Chief Compliance Officer, Invesco Advisers, Inc. (registered investment adviser) (formerly known as Invesco Institutional (N.A.), Inc.); Chief Compliance Officer, The Invesco Funds; Vice President, Invesco Distributors, Inc. (formerly known as Invesco Aim Distributors, Inc.) and Invesco Investment Services, Inc. (formerly known as Invesco Aim Investment Services, Inc.)</p>	<p>N/A</p>	<p>N/A</p>

Formerly: Chief Compliance Officer, Invesco Funds (Chicago); Senior Vice President, Van Kampen Investments Inc.; Senior Vice President and Chief Compliance Officer, Invesco Aim Advisers, Inc. and Invesco Aim Capital Management, Inc.; Chief Compliance Officer, INVESCO Private Capital Investments, Inc. (holding company), Invesco Private Capital, Inc. (registered investment adviser), Invesco Global Asset Management (N.A.), Inc., Invesco Senior Secured Management, Inc. (registered investment adviser), Van Kampen Investor Services Inc., PowerShares Exchange-Traded Fund Trust, PowerShares Exchange-Traded Fund Trust II, PowerShares India Exchange-Traded Fund Trust and PowerShares Actively Managed Exchange-Traded Fund Trust; and Vice President, Invesco Aim Capital Management, Inc. and Fund Management Company

**Trust**  
Peachtree Street, N.E.  
Atlanta, GA 30309

**Investment Adviser**  
Invesco Advisers, Inc.  
1555 Peachtree Street, N.E.  
Atlanta, GA 30309

**Auditors**  
PricewaterhouseCoopers LLP  
1201 Louisiana Street, Suite 2900  
Houston, TX 77002-5678

**Custodian**  
State Street Bank and Trust  
225 Franklin Street  
Boston, MA 02110-2801

**Trust**  
Monon Stevens & Young, LLP  
1000 Market Street, Suite 2600  
Philadelphia, PA 19103-7018

**Counsel to the Independent Trustees**  
Goodwin Procter LLP  
901 New York Avenue, N.W.  
Washington, D.C. 20001

**Transfer Agent**  
Computershare Trust Company, N.A.  
250 Royall Street  
Canton, MA 02021

### **Correspondence information**

Send general correspondence to Computershare Trust Company, N.A., P.O.Box 30170, College Station, TX 77842-3170.

### **Trust holdings and proxy voting information**

The Trust provides a complete list of its holdings four times in each fiscal year, at the quarter ends. For the second and fourth quarters, the lists appear in the Trust's semiannual and annual reports to shareholders. For the first and third quarters, the Trust files the lists with the Securities and Exchange Commission (SEC) on Form N-Q. The most recent list of portfolio holdings is available at [invesco.com/completeqtrholdings](http://invesco.com/completeqtrholdings). Shareholders can also look up the Trust's Forms N-Q on the SEC website at [sec.gov](http://sec.gov). Copies of the Trust's Forms N-Q may be reviewed and copied at the SEC Public Reference Room in Washington, D.C. You can obtain information on the operation of the Public Reference Room, including information about duplicating fee charges, by calling 202 551 8090 or 800 732 0330, or by electronic request at the following email address: [publicinfo@sec.gov](mailto:publicinfo@sec.gov). The SEC file number for the Trust is shown below.

A description of the policies and procedures that the Trust uses to determine how to vote proxies relating to portfolio securities is available without charge, upon request, from our Client Services department at 800 341 2929 or at [invesco.com/proxyguidelines](http://invesco.com/proxyguidelines). The information is also available on the SEC website, [sec.gov](http://sec.gov).

Information regarding how the Trust voted proxies related to its portfolio securities during the most recent 12-month period ended June 30 is available at [invesco.com/proxysearch](http://invesco.com/proxysearch). In addition, this information is available on the SEC website at [sec.gov](http://sec.gov).

SEC file number: 811-06591 MS-CE-QMINC-AR-1

**ITEM 2. CODE OF ETHICS.**

There were no amendments to the Code of Ethics (the Code) that applies to the Registrant's Principal Executive Officer (PEO) and Principal Financial Officer (PFO) during the period covered by the report. The Registrant did not grant any waivers, including implicit waivers, from any provisions of the Code to the PEO or PFO during the period covered by this report.

**ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.**

The Board of Trustees has determined that the Registrant has at least one audit committee financial expert serving on its Audit Committee. The Audit Committee financial experts are David C. Arch, James T. Bunch, Bruce L. Crockett, Rodney Dammeyer and Raymond Stickel, Jr. Messrs. Arch, Bunch, Crockett, Dammeyer and Stickel are independent within the meaning of that term as used in Form N-CSR.

**ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

(a) to (d)

**Fees Billed by Principal Accountant Related to the Registrant**

PWC billed the Registrant aggregate fees for services rendered to the Registrant for the last two fiscal years as follows:

	Fees Billed for Services Rendered to the Registrant for fiscal year end 2/28/2014	(e)(2) Percentage of Fees Billed Applicable to Non-Audit Services Provided for fiscal year end 2/28/2014 Pursuant to Waiver of Pre-Approval Requirement <sup>(1)</sup>	Fees Billed for Services Rendered to the Registrant for fiscal year end 2/28/2013	(e)(2) Percentage of Fees Billed Applicable to Non-Audit Services Provided for fiscal year end 2/28/2013 Pursuant to Waiver of Pre-Approval Requirement <sup>(1)</sup>
Audit Fees	\$ 39,100	N/A	\$ 59,875	N/A
Audit-Related Fees <sup>(2)</sup>	\$ 0	0%	\$ 31,635	0%
Tax Fees <sup>(3)</sup>	\$ 28,765	0%	\$ 10,550	0%
All Other Fees	\$ 0	0%	\$ 0	0%
<b>Total Fees</b>	<b>\$ 67,865</b>	<b>0%</b>	<b>\$ 102,060</b>	<b>0%</b>

(g) PWC billed the Registrant aggregate non-audit fees of \$28,765 for the fiscal year ended 2014, and \$42,185 for the fiscal year ended 2013, for non-audit services rendered to the Registrant.



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- (1) With respect to the provision of non-audit services, the pre-approval requirement is waived pursuant to a de minimis exception if (i) such services were not recognized as non-audit services by the Registrant at the time of engagement, (ii) the aggregate amount of all such services provided is no more than 5% of the aggregate audit and non-audit fees paid by the Registrant to PWC during a fiscal year; and (iii) such services are promptly brought to the attention of the Registrant's Audit Committee and approved by the Registrant's Audit Committee prior to the completion of the audit.
- (2) Audit-Related fees for the fiscal year end February 28, 2013 includes fees billed for agreed upon procedures related to variable municipal term preferred shares.
- (3) Tax fees for the fiscal year end February 28, 2014 includes fees billed for reviewing tax returns and consultation services. Tax fees for the fiscal year end February 28, 2013 includes fees billed for reviewing tax returns.

### Fees Billed by PWC Related to Invesco and Invesco Affiliates

PWC billed Invesco Advisers, Inc. ( Invesco ), the Registrant's adviser, and any entity controlling, controlled by or under common control with Invesco that provides ongoing services to the Registrant ( Invesco Affiliates ) aggregate fees for pre-approved non-audit services rendered to Invesco and Invesco Affiliates for the last two fiscal years as follows:

		(e)(2) Percentage of Fees Billed Applicable to Non-Audit Services Provided for fiscal year end 2/28/2014 That Were Required to be Pre-Approved by the Registrant's Audit Committee		(e)(2) Percentage of Fees Billed Applicable to Non-Audit Services Provided for fiscal year end 2/28/2013 That Were Required to be Pre-Approved by the Registrant's Audit Committee
Audit-Related Fees	\$ 574,000	0%	\$ 0	0%
Tax Fees	\$ 0	0%	\$ 0	0%
All Other Fees	\$ 0	0%	\$ 0	0%
Total Fees <sup>(2)</sup>	\$ 574,000	0%	\$ 0	0%

(1) With respect to the provision of non-audit services, the pre-approval requirement is waived pursuant to a de minimis exception if (i) such services were not recognized as non-audit services by the Registrant at the time of engagement, (ii) the aggregate amount of all such services provided is no more than 5% of the aggregate audit and non-audit fees paid by the Registrant, Invesco and Invesco Affiliates to PWC during a fiscal year; and (iii) such services are promptly brought to the attention of the Registrant's Audit Committee and approved by the Registrant's Audit Committee prior to the completion of the audit.

(2) Audit-Related fees for the year end 2014 include fees billed related to reviewing controls at a service organization.

(g) Including the fees for services not required to be pre-approved by the registrant's audit committee, PWC billed Invesco and Invesco Affiliates aggregate non-audit fees of \$1,645,309 for the fiscal year ended February 28, 2014, and \$0 for the fiscal year ended February 28, 2013, for non-audit services rendered to Invesco and Invesco Affiliates.

(h) The Audit Committee also has considered whether the provision of non-audit services that were rendered to Invesco and Invesco Affiliates that were not required to be pre-approved pursuant to SEC regulations, if any, is compatible with maintaining PWC's independence. To the extent that such services were provided, the Audit

Committee determined that the provision of such services is compatible with PWC maintaining independence with respect to the Registrant.

(f) Not applicable.

(e)(1)

## **PRE-APPROVAL OF AUDIT AND NON-AUDIT SERVICES**

### **POLICIES AND PROCEDURES**

As adopted by the Audit Committees of

the Invesco Funds (the Funds )

Last Amended May 4, 2010

#### **Statement of Principles**

Under the Sarbanes-Oxley Act of 2002 and rules adopted by the Securities and Exchange Commission ( SEC ) ( Rules ), the Audit Committees of the Funds (the Audit Committees ) Board of Trustees (the Board ) are responsible for the appointment, compensation and oversight of the work of independent accountants (an Auditor ). As part of this responsibility and to assure that the Auditor 's independence is not impaired, the Audit Committees pre-approve the audit and non-audit services provided to the Funds by each Auditor, as well as all non-audit services provided by the Auditor to the Funds ' investment adviser and to affiliates of the adviser that provide ongoing services to the Funds ( Service Affiliates ) if the services directly impact the Funds ' operations or financial reporting. The SEC Rules also specify the types of services that an Auditor may not provide to its audit client. The following policies and procedures comply with the requirements for pre-approval and provide a mechanism by which management of the Funds may request and secure pre-approval of audit and non-audit services in an orderly manner with minimal disruption to normal business operations.

Proposed services either may be pre-approved without consideration of specific case-by-case services by the Audit Committees ( general pre-approval ) or require the specific pre-approval of the Audit Committees ( specific pre-approval ). As set forth in these policies and procedures, unless a type of service has received general pre-approval, it will require specific pre-approval by the Audit Committees. Additionally, any fees exceeding 110% of estimated pre-approved fee levels provided at the time the service was pre-approved will also require specific approval by the Audit Committees before payment is made. The Audit Committees will also consider the impact of additional fees on the Auditor 's independence when determining whether to approve any additional fees for previously pre-approved services.

The Audit Committees will annually review and generally pre-approve the services that may be provided by each Auditor without obtaining specific pre-approval from the Audit Committee generally on an annual basis. The term of any general pre-approval runs from the date of such pre-approval through September 30<sup>th</sup> of the following year, unless the Audit Committees consider a different period and state otherwise. The Audit Committees will add to or subtract from the list of general pre-approved services from time to time, based on subsequent determinations.

The purpose of these policies and procedures is to set forth the guidelines to assist the Audit Committees in fulfilling their responsibilities.

#### **Delegation**

The Audit Committees may from time to time delegate pre-approval authority to one or more of its members who are Independent Trustees. All decisions to pre-approve a service by a delegated member shall be reported to the Audit Committees at the next quarterly meeting.

## **Audit Services**

The annual audit services engagement terms will be subject to specific pre-approval of the Audit Committees. Audit services include the annual financial statement audit and other procedures such as tax provision work that is required to be performed by the independent auditor to be able to form an opinion on the Funds' financial statements. The Audit Committees will obtain, review and consider sufficient information concerning the proposed Auditor to make a reasonable evaluation of the Auditor's qualifications and independence.

In addition to the annual Audit services engagement, the Audit Committees may grant either general or specific pre-approval of other audit services, which are those services that only the independent auditor reasonably can provide. Other Audit services may include services such as issuing consents for the inclusion of audited financial statements with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings.

### **Non-Audit Services**

The Audit Committees may provide either general or specific pre-approval of any non-audit services to the Funds and its Service Affiliates if the Audit Committees believe that the provision of the service will not impair the independence of the Auditor, is consistent with the SEC's Rules on auditor independence, and otherwise conforms to the Audit Committees' general principles and policies as set forth herein.

### **Audit-Related Services**

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Fund's financial statements or that are traditionally performed by the independent auditor. Audit-related services include, among others, accounting consultations related to accounting, financial reporting or disclosure matters not classified as Audit services; assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities; and agreed-upon procedures related to mergers, compliance with ratings agency requirements and interfund lending activities.

### **Tax Services**

Tax services include, but are not limited to, the review and signing of the Funds' federal tax returns, the review of required distributions by the Funds and consultations regarding tax matters such as the tax treatment of new investments or the impact of new regulations. The Audit Committees will scrutinize carefully the retention of the Auditor in connection with a transaction initially recommended by the Auditor, the major business purpose of which may be tax avoidance or the tax treatment of which may not be supported in the Internal Revenue Code and related regulations. The Audit Committees will consult with the Funds' Treasurer (or his or her designee) and may consult with outside counsel or advisors as necessary to ensure the consistency of Tax services rendered by the Auditor with the foregoing policy.

No Auditor shall represent any Fund or any Service Affiliate before a tax court, district court or federal court of claims.

Under rules adopted by the Public Company Accounting Oversight Board and approved by the SEC, in connection with seeking Audit Committees' pre-approval of permissible Tax services, the Auditor shall:

1. Describe in writing to the Audit Committees, which writing may be in the form of the proposed engagement letter:
  - a. The scope of the service, the fee structure for the engagement, and any side letter or amendment to the engagement letter, or any other agreement between the Auditor and the Fund, relating to the service; and
  - b. Any compensation arrangement or other agreement, such as a referral agreement, a referral fee or fee-sharing arrangement, between the Auditor and any person (other than the Fund) with respect to the promoting, marketing, or recommending of a transaction covered by the service;

2.

Discuss with the Audit Committees the potential effects of the services on the independence of the Auditor;  
and

3. Document the substance of its discussion with the Audit Committees.

**All Other Auditor Services**

The Audit Committees may pre-approve non-audit services classified as All other services that are not categorically prohibited by the SEC, as listed in Exhibit 1 to this policy.

### **Pre-Approval Fee Levels or Established Amounts**

Pre-approval of estimated fees or established amounts for services to be provided by the Auditor under general or specific pre-approval policies will be set periodically by the Audit Committees. Any proposed fees exceeding 110% of the maximum estimated pre-approved fees or established amounts for pre-approved audit and non-audit services will be reported to the Audit Committees at the quarterly Audit Committees meeting and will require specific approval by the Audit Committees before payment is made. The Audit Committees will always factor in the overall relationship of fees for audit and non-audit services in determining whether to pre-approve any such services and in determining whether to approve any additional fees exceeding 110% of the maximum pre-approved fees or established amounts for previously pre-approved services.

### **Procedures**

Generally on an annual basis, Invesco Advisers, Inc. ( Invesco ) will submit to the Audit Committees for general pre-approval, a list of non-audit services that the Funds or Service Affiliates of the Funds may request from the Auditor. The list will describe the non-audit services in reasonable detail and will include an estimated range of fees and such other information as the Audit Committee may request.

Each request for services to be provided by the Auditor under the general pre-approval of the Audit Committees will be submitted to the Funds' Treasurer (or his or her designee) and must include a detailed description of the services to be rendered. The Treasurer or his or her designee will ensure that such services are included within the list of services that have received the general pre-approval of the Audit Committees. The Audit Committees will be informed at the next quarterly scheduled Audit Committees meeting of any such services for which the Auditor rendered an invoice and whether such services and fees had been pre-approved and if so, by what means.

Each request to provide services that require specific approval by the Audit Committees shall be submitted to the Audit Committees jointly by the Funds' Treasurer or his or her designee and the Auditor, and must include a joint statement that, in their view, such request is consistent with the policies and procedures and the SEC Rules.

Each request to provide tax services under either the general or specific pre-approval of the Audit Committees will describe in writing: (i) the scope of the service, the fee structure for the engagement, and any side letter or amendment to the engagement letter, or any other agreement between the Auditor and the audit client, relating to the service; and (ii) any compensation arrangement or other agreement between the Auditor and any person (other than the audit client) with respect to the promoting, marketing, or recommending of a transaction covered by the service. The Auditor will discuss with the Audit Committees the potential effects of the services on the Auditor's independence and will document the substance of the discussion.

Non-audit services pursuant to the *de minimis* exception provided by the SEC Rules will be promptly brought to the attention of the Audit Committees for approval, including documentation that each of the conditions for this exception, as set forth in the SEC Rules, has been satisfied.

On at least an annual basis, the Auditor will prepare a summary of all the services provided to any entity in the investment company complex as defined in section 2-01(f)(14) of Regulation S-X in sufficient detail as to the nature of the engagement and the fees associated with those services.

The Audit Committees have designated the Funds' Treasurer to monitor the performance of all services provided by the Auditor and to ensure such services are in compliance with these policies and procedures. The Funds' Treasurer will report to the Audit Committees on a periodic basis as to the results of such monitoring. Both the Funds' Treasurer and management of Invesco will immediately report to the chairman of the Audit Committees any breach of these policies and procedures that comes to the attention of the Funds' Treasurer or senior management of Invesco.



**Exhibit 1 to Pre-Approval of Audit and Non-Audit Services Policies and Procedures**

**Conditionally Prohibited Non-Audit Services (not prohibited if the Fund can reasonably conclude that the results of the service would not be subject to audit procedures in connection with the audit of the Fund's financial statements)**

**Bookkeeping or other services related to the accounting records or financial statements of the audit client**

**Financial information systems design and implementation**

**Appraisal or valuation services, fairness opinions, or contribution-in-kind reports**

**Actuarial services**

**Internal audit outsourcing services**

**Categorically Prohibited Non-Audit Services**

**Management functions**

**Human resources**

**Broker-dealer, investment adviser, or investment banking services**

**Legal services**

**Expert services unrelated to the audit**

**Any service or product provided for a contingent fee or a commission**

**Services related to marketing, planning, or opining in favor of the tax treatment of confidential transactions or aggressive tax position transactions, a significant purpose of which is tax avoidance**

**Tax services for persons in financial reporting oversight roles at the Fund**

**Any other service that the Public Company Oversight Board determines by regulation is impermissible.**

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

- (a) The registrant has a separately-designed standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended. Members of the audit committee are: David C. Arch, Frank S. Bayley, James T. Bunch, Bruce L. Crockett, Rodney Dammeyer, Larry Soll and Raymond Stickel, Jr.
  
- (b) Not applicable.

ITEM 6. SCHEDULE OF INVESTMENTS.

Investments in securities of unaffiliated issuers is included as part of the reports to stockholders filed under Item 1 of this Form.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

**I.1. PROXY POLICIES AND PROCEDURES INVESCO ADVISERS**

<b>Applicable to</b>	All Advisory Clients, including the Invesco Funds
<b>Risk Addressed by Policy</b>	breach of fiduciary duty to client under Investment Advisers Act of 1940 by placing Invesco personal interests ahead of client best economic interests in voting proxies
<b>Relevant Law and Other Sources</b>	Investment Advisers Act of 1940
<b>Last Reviewed / Revised</b>	November, 2013
<b>by Compliance for Accuracy</b>	
<b>Policy/Procedure Owner</b>	Advisory Compliance
<b>Policy Approver</b>	Invesco Advisers, Inc. Invesco Funds Board, Invesco Funds (Chicago) Board
<b>Approved/Adopted Date</b>	November, 2013
The following policies and procedures apply to all institutional and retail funds and accounts (collectively, the Accounts ) managed by Invesco Advisers, Inc. ( Invesco ).	

**A. GUIDING PRINCIPLES**

Invesco may be authorized by its clients, including the funds it manages ( Clients ), to vote proxies appurtenant to the securities owned by such Clients. If so authorized, Invesco carries out this responsibility by voting proxies in a manner reasonably designed to maximize the economic interests of its Clients and to minimize any real or perceived conflicts of interest. Invesco may determine not to vote proxies if it determines that the cost or restrictions placed on a Client are outweighed by the benefit to such Client of voting the proxy.

Invesco is guided by the following principles:

Invesco votes for proposals that maximize long-term shareholder value.

Invesco believes in corporate accountability and supports governance structures reinforcing management's accountability to the board of directors and a board of directors' accountability to shareholders.

In addition to the performance driven considerations noted above, Invesco believes that environmental, social and corporate governance proposals can influence long-term shareholder value and should be voted in a manner where such long-term shareholder value is maximized.

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## B. OPERATING PROCEDURES AND RESPONSIBLE PARTIES

### Proxy administration

Guided by its philosophy that proxy voting is an asset that is to be managed by each investment team, consistent with each team's view as to the best economic interest of its shareholders, Invesco has created the Invesco US Proxy Advisory Committee ( IUPAC ). The IUPAC is an investments driven committee comprised solely of representatives from each investment management team at Invesco. The purpose of the IUPAC is to provide a forum for investment teams to monitor proxy voting trends, understand inconsistent votes within the complex, and to vote proxies where Invesco as a firm has a conflict of interest with an issuer or a member of the IUPAC has a personal conflict of interest with an issuer whose proxy he or she is charged with voting. The IUPAC also will consider and express a view on the proxies of the top twenty-five issuers held across all Client accounts, as measured by the total market value of shares held by Invesco Client accounts, and any other proxy brought to the IUPAC by an IUPAC member in an effort to build consensus around a proxy. Absent a conflict of interest, each investment team may deviate from the view formed by the IUPAC on any proxy. In cases where there is a firm-level or personal conflict of interest with a proxy, the IUPAC's vote controls the proxy across all applicable Client accounts. Representatives of the IUPAC will have access to third party proxy advisory analyses provided by each of Glass Lewis and Institutional Shareholder Services, Inc. ( ISS ) as one of many research tools in determining how to vote a proxy and is not required to vote in accordance with the recommendations of either.

### Important principles underlying the Invesco Proxy Voting Guidelines (the Guidelines )

#### I. Corporate Governance

Management teams of companies are accountable to the boards of directors and directors of publicly held companies are accountable to shareholders. Invesco endeavors to vote the proxies of portfolio companies in a manner that will reinforce the notion of a board's accountability. Consequently, Invesco generally votes against any actions that would impair the rights of shareholders or would reduce shareholders' influence over the board or over management.

The following are specific voting issues that illustrate how Invesco applies this principle of accountability.

*Elections of directors.* In uncontested director elections for companies that do not have a controlling shareholder, Invesco generally votes in favor of slates if they are comprised of at least a majority of independent directors and if the board's key committees are fully independent. Key committees include the Audit, Compensation and Governance or Nominating Committees. Invesco's standard of independence excludes directors who, in addition to the directorship, have any material business or family relationships with the companies they serve.

Contested director elections are evaluated on a case-by-case basis.

*Director performance.* Invesco generally withholds votes from directors who exhibit a lack of accountability to shareholders, either through their level of attendance at meetings or by adopting or approving egregious corporate-governance or other policies. In cases of material financial restatements, accounting fraud, habitually late filings, adopting shareholder rights plan ( poison pills ) without shareholder

approval, or other areas of poor performance, Invesco may withhold votes from some or all of a company's directors. In situations where directors' performance is a concern, Invesco may also support shareholder proposals to take corrective actions such as so-called clawback provisions.

*Auditors and Audit Committee members.* Invesco believes a company's Audit Committee has a high degree of responsibility to shareholders in matters of financial disclosure, integrity of the financial statements and effectiveness of a company's internal controls. Independence, experience and financial expertise are critical elements of a well-functioning Audit Committee. When electing directors who are members of a company's Audit Committee, or when ratifying a company's auditors, Invesco considers the past performance of the Committee and holds its members accountable for the quality of the company's financial statements and reports.

*Majority standard in director elections.* The right to elect directors is the single most important mechanism shareholders have to promote accountability. Invesco supports the nascent effort to reform the U.S. convention of electing directors, and generally votes in favor of proposals to elect directors by a majority vote.

*Classified boards.* Invesco generally supports proposals to elect directors annually instead of electing them to staggered multi-year terms because annual elections increase a board's level of accountability to its shareholders.

*Supermajority voting requirements.* Unless required by law in the state of incorporation, Invesco generally votes against actions that would impose any supermajority voting requirement, and generally supports actions to dismantle existing supermajority requirements.

*Responsiveness.* Invesco generally withholds votes from directors who do not adequately respond to shareholder proposals that were approved by a majority of votes cast the prior year.

*Cumulative voting.* The practice of cumulative voting can enable minority shareholders to have representation on a company's board. Invesco generally supports proposals to institute the practice of cumulative voting at companies whose overall corporate-governance standards indicate a particular need to protect the interests of minority shareholders.

*Shareholder access.* On business matters with potential financial consequences, Invesco generally votes in favor of proposals that would increase shareholders' opportunities to express their views to boards of directors, proposals that would lower barriers to shareholder action and proposals to promote the adoption of generally accepted best practices in corporate governance. Furthermore, Invesco generally votes for shareholder proposals that are designed to protect shareholder rights if a company's corporate governance standards indicate that such additional protections are warranted.

## **II. Incentives**

Invesco believes properly constructed compensation plans that include equity ownership are effective in creating incentives that induce management and employees of portfolio companies to create greater shareholder wealth. Invesco generally supports equity compensation plans that promote the proper alignment of incentives with shareholders' long-term interests, and generally votes against plans that are overly dilutive to existing shareholders, plans that contain objectionable structural features, and plans that appear likely to reduce the value of the Client's investment.

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Following are specific voting issues that illustrate how Invesco evaluates incentive plans.

*Executive compensation.* Invesco evaluates compensation plans for executives within the context of the company's performance under the executives' tenure. Invesco believes independent compensation committees are best positioned to craft executive-compensation plans that are suitable for their company-specific circumstances. Invesco views the election of independent compensation committee members as the appropriate mechanism for shareholders to express their approval or disapproval of a company's compensation practices. Therefore, Invesco generally does not support shareholder proposals to limit or eliminate certain forms of executive compensation. In the interest of reinforcing the notion of a compensation committee's accountability to shareholders, Invesco generally supports proposals requesting that companies subject each year's compensation record to an advisory shareholder vote, or so-called "say on pay" proposals.

*Equity-based compensation plans.* Invesco generally votes against plans that contain structural features that would impair the alignment of incentives between shareholders and management. Such features include the ability to reprice or reload options without shareholder approval, the ability to issue options below the stock's current market price, or the ability automatically to replenish shares without shareholder approval.

*Employee stock-purchase plans.* Invesco generally supports employee stock-purchase plans that are reasonably designed to provide proper incentives to a broad base of employees, provided that the price at which employees may acquire stock is at most a 15 percent discount from the market price.

*Severance agreements.* Invesco generally votes in favor of proposals requiring advisory shareholder ratification of executives' severance agreements. However, we generally oppose proposals requiring such agreements to be ratified by shareholders in advance of their adoption. Given the vast differences that may occur in these agreements, it is necessary to note that IUPAC can and does evaluate some severance agreements on a case-by-case basis.

### **III. Capitalization**

Examples of management proposals related to a company's capital structure include authorizing or issuing additional equity capital, repurchasing outstanding stock, or enacting a stock split or reverse stock split. On requests for additional capital stock, Invesco analyzes the company's stated reasons for the request. Except where the request could adversely affect the Client's ownership stake or voting rights, Invesco generally supports a board's decisions on its needs for additional capital stock. Some capitalization proposals require a case-by-case analysis. Examples of such proposals include authorizing common or preferred stock with special voting rights, or issuing additional stock in connection with an acquisition.

### **IV. Mergers, Acquisitions and Other Corporate Actions**

Issuers occasionally require shareholder approval to engage in certain corporate actions such as mergers, acquisitions, name changes, dissolutions, reorganizations, divestitures and reincorporations and the votes for these types of corporate actions are generally determined on a case-by-case basis.

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**V. Anti-Takeover Measures**

Practices designed to protect a company from unsolicited bids can adversely affect shareholder value and voting rights, and they create conflicts of interests among directors, management and shareholders. Except under special issuer-specific circumstances, Invesco generally votes to reduce or eliminate such measures. These measures include adopting or renewing poison pills, requiring supermajority voting on certain corporate actions, classifying the election of directors instead of electing each director to an annual term, or creating separate classes of common or preferred stock with special voting rights. Invesco generally votes against management proposals to impose these types of measures, and generally votes for shareholder proposals designed to reduce such measures. Invesco generally supports shareholder proposals directing companies to subject their anti-takeover provisions to a shareholder vote.

**VI. Environmental and Social Issues**

Invesco will evaluate environmental and social proposals when it believes such proposals may influence long-term shareholder value. If Invesco votes on an environmental or social proposal, it shall do so in a manner it believes will maximize long-term shareholder value.

**VII. Routine Business Matters**

Routine business matters rarely have the potential to have a material effect on the economic prospects of Clients' holdings, so Invesco generally supports the board's discretion on these items. However, Invesco generally votes against proposals where there is insufficient information to make a decision about the nature of the proposal. Similarly, Invesco generally votes against proposals to conduct other unidentified business at shareholder meetings.

**C. SUMMARY**

These Guidelines provide an important framework for making proxy-voting decisions, and should give our Clients insight into the factors driving Invesco's decisions. The Guidelines cannot address all potential proxy issues, however. Decisions on specific issues must be made within the context of these Guidelines. In addition, at the discretion of the portfolio managers, Invesco may also vote shares held on a Client-by-Client basis.

**D. EXCEPTIONS**

**Client Maintains Right to Vote Proxies**

In the case of institutional Clients or sub-advised Clients, Invesco will vote the proxies in accordance with these Guidelines unless a Client, ERISA or non-ERISA, retains, in writing, the right to vote or the named fiduciary (e.g., the plan sponsor) of a Client retains in writing the right to direct the plan trustee or a third party to vote proxies.

**Proxy Voting for Fixed Income Assets and Stable Value Wrap Agreements**

Some of Invesco's fixed income Clients hold interests in preferred stock of companies and some of Invesco's stable value clients are parties to wrap agreements. From time to time, companies that have issued preferred stock or that are parties to wrap agreements request

that Invesco's Clients vote proxies on particular matters. Neither ISS nor GL currently provides proxy analysis or vote recommendations with respect to such proxy votes. Therefore, when a particular matter arises in this category, the portfolio managers responsible for the particular mandate will review the matter and make a recommendation as to how to vote the associated proxy.

### **Proxy Constraints**

In certain circumstances, Invesco may refrain from voting where the economic cost of voting a company's proxy exceeds any anticipated benefits of that proxy proposal. In addition, there may be instances in which Invesco is unable to vote a proxy despite using commercially reasonable efforts to vote all of its Clients' proxies. Particular examples of such instances include, but are not limited to, the following:

When securities are participating in the securities lending program, Invesco makes a determination of whether to terminate the loan by weighing the benefit to the Clients of voting a particular proxy versus the revenue lost by terminating the loan and recalling the securities. In some countries the exercise of voting rights requires the Client to submit to share-blocking. Invesco generally refrains from voting proxies in share-blocking countries unless the portfolio manager determines that the benefit to the Client(s) of voting a specific proxy outweighs the Client's temporary inability to sell the security.

An inability to receive proxy materials from our Clients' custodians with enough time and enough information to make a voting decision sometimes precludes Invesco's ability to vote proxies.

A requirement of some non-U.S. companies that in order to vote a proxy a representative in person must attend the proxy meeting. Invesco makes a determination as to whether the costs of sending a representative or signing a power-of-attorney outweigh the benefit of voting a particular proxy.

In the great majority of instances Invesco is able to vote U.S. and non-U.S. proxies successfully. It is important to note that Invesco makes voting decisions for non-U.S. issuers using these Guidelines as its framework, but also takes into account the corporate governance standards, regulatory environment and generally reasonable and governance-minded practices of the local market.

## **E. RESOLVING POTENTIAL CONFLICTS OF INTEREST**

*Firm Level Conflicts of Interest.* A potential conflict of interest arises when Invesco votes a proxy for an issuer with which it also maintains a material business relationship. Examples could include issuers that are distributors of Invesco's products, or issuers that employ Invesco to manage portions of their retirement plans or treasury accounts.

Invesco generally resolves such potential conflicts in one of the following ways: (1) if the proposal that gives rise to the potential conflict is specifically addressed by the Guidelines, Invesco may vote the proxy in accordance with the predetermined Guidelines; (2) Invesco may engage an independent third party to determine how the proxy should be voted; or (3) Invesco may establish an ethical wall or other informational barrier between the persons involved in the potential conflict and the persons making the proxy-voting decision in order to insulate the potential conflict from the decision makers.

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Because the Guidelines are pre-determined and crafted to be in the best economic interest of Clients, applying the Guidelines to vote Client proxies should, in most instances, adequately resolve any potential conflict of interest. As an additional safeguard against potential conflicts, persons from Invesco's marketing, distribution and other customer-facing functions are not members of IUPAC.

*Personal Conflicts of Interest.* If any member of IUPAC has a personal conflict of interest with respect to a company or an issue presented for voting, that IUPAC member will inform IUPAC of such conflict and will abstain from voting on that company or issue. All IUPAC members shall sign an annual conflicts of interest memorandum.

*Funds of Funds.* Some Invesco Funds offering diversified asset allocation within one investment vehicle own shares in other Invesco Funds. A potential conflict of interest could arise if an underlying Invesco Fund has a shareholder meeting with any proxy issues to be voted on, because Invesco's asset-allocation funds or target-maturity funds may be large shareholders of the underlying fund. In order to avoid any potential for a conflict, the asset-allocation funds and target maturity funds vote their shares in the same proportion as the votes of the external shareholders of the underlying fund.

#### **F. RECORDKEEPING**

The Investments Administration team will be responsible for all Proxy Voting record keeping.

#### **Policies and Vote Disclosure**

A copy of these Guidelines and the voting record of each Invesco Retail Fund are available on Invesco's web site, [www.invesco.com](http://www.invesco.com). In accordance with Securities and Exchange Commission regulations, all Invesco Funds file a record of all proxy-voting activity for the prior 12 months ending June 30th. That filing is made on or before August 31st of each year. In the case of institutional and sub-advised Clients, Clients may obtain information about how Invesco voted proxies on their behalf by contacting their client services representative.

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ITEM 8.	596,660		456,799	
Capitalized asset retirement obligations		25,043		20,599
Total costs incurred for oil and gas properties	\$	2,596,608	\$	719,659
				\$2,792,493

We had the following aggregate capitalized costs relating to our oil and gas property activities at March 31:

	2011	2010	2009
Proved oil and gas properties	\$30,256,330	\$27,182,529	\$26,565,291
Unproved oil and gas properties:			
subject to amortization	170,487	170,487	170,487
not subject to amortization	-	-	-
	30,426,817	27,353,016	26,735,778
Less accumulated DD&A	15,161,524	14,119,129	13,013,448
	\$15,265,293	\$13,233,887	\$13,722,330

DD&A amounted to \$1.87, \$1.70 and \$1.62 per equivalent mcf of production for the years ended March 31, 2011, 2010 and 2009, respectively.

## 10. Stockholders' Equity

In June 2010, the board of directors authorized the use of up to \$250,000 to repurchase shares of our common stock for the treasury account. During fiscal 2011, we repurchased 2,000 shares at a cost of \$12,325. No shares of our common stock were repurchased for the treasury account during fiscal 2010 and 2009.

In August 2010, we purchased overriding royalty interests averaging .28% in 5,120 gross acres covering eight sections in the Haynesville trend area of DeSoto Parish, Louisiana, for an approximate purchase price of \$1.65 million, prior to closing adjustments. We paid \$1.46 million in cash and the remainder was paid as 26,833 shares of its common stock issued from treasury shares.

## 11. Stock Options

We adopted an employee incentive stock plan effective September 15, 1997 ("1997 Plan"). Under the 1997 Plan, 350,000 shares were available for distribution. Awards, granted at the discretion of the compensation committee of the board of directors, include stock options or restricted stock. Stock options may be an incentive stock option or a nonqualified stock option. Options to purchase common stock under the plan are granted at the fair market value of the common stock at the date of grant, become exercisable to the extent of 25% of the shares optioned on each of four anniversaries of the date of grant, expire ten years from the date of grant and are subject to forfeiture if employment terminates. Restricted stock awards may be granted with a condition to attain a specified goal. The purchase price was at least \$5.00 per share of restricted stock. The awards of restricted stock must be accepted within 60 days and vest as determined by agreement. Holders of restricted stock have all rights of a shareholder of the Company.

In September 2004, we adopted the 2004 Incentive Stock Plan ("2004 Plan") to replace, modify and extend the termination date of the 1997 Plan to September 14, 2009. The 2004 Plan provided for the award of stock options up to 375,000 shares of which 125,000 may have been subject of stock grants without restrictions and without payment by the recipient and stock awards of up to 125,000 shares with restrictions including payment for the shares and employment of not less than three years from the date of the award. The terms of the stock options were similar to those of the 1997 Plan except that the term of the options was five years from the date of grant. Although shares were remaining unissued at the termination date of the 2004 Plan, the shares are no longer eligible to be granted.

In September 2009, we adopted the 2009 Employee Incentive Stock Plan ("2009 Plan") to replace the 1997 and 2004 Plans. The 2009 Plan provides for the award of stock options up to 200,000 shares and includes option awards as well as stock awards. Option awards are granted with the restriction of requiring payment for the shares. Stock awards are granted without restrictions and without payment by the recipient. Neither option awards nor stock awards may exceed 25,000 shares granted to any one individual in any fiscal year. The 2009 Plan expires ten years from the date of adoption.

According to our employee stock incentive plans, new shares will be issued upon the exercise of stock options and the Company can repurchase shares exercised under these plans. The plans also provide for the granting of stock awards. No stock awards were granted during fiscal 2011, 2010 and 2009.

We recognized compensation expense of \$51,350, \$26,030 and \$54,688 in general and administrative expense in the Consolidated Statements of Operations for fiscal 2011, 2010 and 2009, respectively. The total cost related to non-vested awards not yet recognized at March 31, 2011 totals \$142,569, which is expected to be recognized over a weighted average of 3.2 years.

For the year ended March 31, 2011, employees and directors exercised options on a total of 85,250 shares at exercise prices between \$4.00 and \$8.24 per share. The Company received proceeds of \$533,625 from these exercises. The

total intrinsic value of the exercised options was \$533,831. Of these exercised options, 29,950 shares resulted in a disqualifying disposition. No tax deduction is recorded when options are awarded. Mexco issued new shares of common stock to settle these option exercises. For the year ended March 31, 2010, stock options covering 41,250 shares were exercised and 4,750 of these exercised options resulted in a disqualifying disposition. For the year ended March 31, 2009, stock options covering 45,750 shares were exercised and resulted in a disqualifying disposition.

The fair value of each stock option is estimated on the date of grant using the Binomial valuation model. Expected volatilities are based on historical volatility of the Company's stock over the expected term of 84 months and other factors. We use historical data to estimate option exercise and employee termination within the valuation model. The expected term of options granted is derived from the output of the option valuation model and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. As the Company has never declared dividends, no dividend yield is used in the calculation. Actual value realized, if any, is dependent on the future performance of the Company's common stock and overall stock market conditions. There is no assurance the value realized by an optionee will be at or near the value estimated by the Binomial model.

During the year ended March 31, 2011, stock options covering 42,500 shares were granted. No stock options were granted during the year ended March 31, 2010 and 2009.

Included in the following table is a summary of the grant-date fair value of stock options granted and the related assumptions used in the Binomial models for stock options granted in fiscal 2011, 2010 and 2009. All such amounts represent the weighted average amounts for each period.

	For the year ended March 31,		
	2011	2010	2009
Grant-date fair value	\$ 5.15	-	-
Volatility factor	82.83%	-	-
Dividend yield	-	-	-
Risk-free interest rate	2.07%	-	-
Expected term (in years)	7	-	-

Stock options covering 85,250 shares were exercised during the year ended March 31, 2011. Stock options covering 41,250 shares were exercised during the year ended March 31, 2010 and 121,250 shares were exercised during the year ended March 31, 2009.

Cash received from option exercise under all share-based payment arrangements for the years ended March 31, 2011, 2010 and 2009, was \$533,625, \$259,372 and \$703,240, respectively.

No forfeiture rate is assumed for stock options granted to directors or employees due to the forfeiture rate history for these types of awards. During the year ended March 31, 2011, 1,000 vested stock options expired because they were not exercised prior to the end of their ten-year term and 10,000 unvested stock options were forfeited due to the termination of a consulting agreement with a consultant and the resignation of an employee. There were no stock options forfeited or expired during the year ended March 31, 2010. During the year ended March 31, 2009, 20,000 stock options expired because they were not exercised prior to the end of their ten-year term.

The following table is a summary of activity of stock options for the year ended March 31, 2011 and 2010:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contract Life in Years	Intrinsic Value
Outstanding at March 31, 2009	148,750	\$6.04	3.04	\$813,703
Granted	-	-	-	-

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Exercised	(41,250	)	6.29		
Forfeited or Expired	-		-		
Outstanding at March 31, 2010	107,500		\$5.94	2.51	\$237,088
Granted	42,500		6.24		
Exercised	(85,250	)	6.26		
Forfeited or Expired	(11,000	)	5.89		
Outstanding at March 31, 2011	53,750		\$5.69	7.33	\$401,200
Vested at March 31, 2011	10,000		\$4.00	1.16	\$91,500
Exercisable at March 31, 2011	10,000		\$4.00	1.16	\$91,500

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Outstanding options at March 31, 2011 expire between May 2012 and September 2020 and have exercise prices ranging from \$4.00 to \$6.29.

Other information pertaining to option activity was as follows during the year ended March 31:

	2011	2010	2009
Weighted average grant-date fair value of stock options granted (per share)	\$5.15	-	\$-
Total fair value of options vested	\$37,200	\$343,663	\$82,225
Total intrinsic value of options exercised	\$533,831	\$130,051	\$4,209,381

The following table summarizes information about options outstanding at March 31, 2011:

Range of Exercise Prices	Number of Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contract Life in Years	Aggregate Intrinsic Value
\$4.00 – 5.24	13,750	\$4.10		
5.25 – 6.29	40,000	6.23		
\$4.00 – 6.29	53,750	\$5.69	7.33	\$401,200

## 12. Related Party Transactions

Related party transactions for the fiscal year ended March 31, 2011 relate to shared office expenditures in addition to administrative and operating expenses paid on behalf of the majority stockholder. The totals billed to and reimbursed by the stockholder for the years ended March 31, 2011, 2010 and 2009 were \$ 137,652, \$75,178 and \$40,872, respectively.

A Family Limited Partnership of Thomas Craddick received from the Company, a finder's fee in kind, equal to 2.5% of the mineral interest purchased in the Newark East Field in Johnson County, Texas in October 2008. Thomas Craddick is a member of the board of directors and Company employee. Mr. Craddick invested his personal funds, on the same basis as an unrelated third party investor, in a 5.0% working interest in our well in Ward County, Texas. Effective January 1, 2010, we purchased Mr. Craddick's 5.0% working interest in this well for a purchase price of approximately \$78,000. Mr. Craddick maintained a .125% override in this well. Revenues paid to Mr. Craddick from this well were \$100 and \$3,360 for the years ended March 31, 2011 and 2010, respectively.

In September 2009, Jeff Smith, a geological consultant, entered into an amended agreement with Mexco to provide geological consulting services for a fee of approximately \$500 per month plus expenses. This agreement was subsequently terminated in January 2010 thus Mr. Smith is no longer considered a related party for transactions for the year ended March 31, 2011. Mexco incurred charges from Mr. Smith of \$24,750 for the year ended March 31, 2010. Also as part of this agreement, Mr. Smith received a 0.25% overriding interest in each of the two wells in Loving County, Texas, a 1.0% overriding interest in the well in Ward County, Texas and a .5% overriding interest in the well in Reeves County, Texas. Mr. Smith invested his personal funds in a working interest in our wells in Reeves County, Texas (2.5% before payout and 1.875% after payout) and Ward County, Texas (2.0% before payout and 1.5% after payout), on a non-promoted basis. Revenues paid to Mr. Smith from these wells were \$4,590 for the year ended March 31, 2010. At March 31, 2010, Mr. Smith had a balance due of \$55 for his share of the expenses on these wells, which was reflected in accounts receivable — related parties.

13. Oil and Gas Reserve Data (Unaudited)

The estimates of our proved oil and gas reserves, which are located entirely within the United States, were prepared in accordance with the guidelines established by the SEC. The estimates as of March 31, 2011, 2010, and 2009 are based on evaluations prepared by Joe C. Neal and Associates, Petroleum Consultants.

Management emphasizes that reserve estimates are inherently imprecise and are expected to change as new information becomes available and as economic conditions in the industry change. The following estimates of proved reserves quantities and related standardized measure of discounted net cash flow are estimates only, and do not purport to reflect realizable values or fair market values our reserves.

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Changes in Proved Reserve Quantities:

	2011		2010		2009	
	Bbls	Mcf	Bbls	Mcf	Bbls	Mcf
Proved reserves, beginning of year	240,000	8,405,000	207,000	9,477,000	217,000	7,857,000
Revision of previous estimates	22,000	130,000	39,000	(575,000 )	(24,000 )	140,000
Purchase of minerals in place	45,000	545,000	-	5,000	-	886,000
Extensions and discoveries	-	136,000	12,000	44,000	31,000	1,136,000
Sales of minerals in place	-	-	-	-	-	-
Production	(17,000 )	(459,000 )	(18,000 )	(546,000 )	(17,000 )	(542,000 )
Proved reserves, end of year	290,000	8,757,000	240,000	8,405,000	207,000	9,477,000

Summary of Proved Reserves as of March 31, 2011:

	Oil (Bbls)	Natural Gas (Mcf)	Oil & Natural Gas (Mcfe)
Developed	159,975	4,964,061	5,923,911
Undeveloped	130,187	3,792,974	4,574,096
Total proved reserves	290,162	8,757,035	10,498,007

At March 31, 2011, we reported estimated PUDs of 4.6 bcfe, which accounted for 44% of our total estimated proved oil and gas reserves. This figure primarily consists of a projected 23 new wells (3.4 bcfe), 6 of which we operate, and 1 new zone behind pipe from a currently producing wellbore (.1 bcfe) that we also operate. Our timetable for this well is totally dependent on the life of the currently producing zone. After the current zone has depleted, we will open the new productive zone. Of the 6 wells we operate (2.7 bcfe), 5 have additional productive zones behind pipe (.6 bcfe). We project 1 operated well to be drilled in fiscal 2012, 4 in fiscal 2013 and 1 in fiscal 2014. The behind pipe zones can only come on after the current producing zones are depleted. Also, there is potential to commingle the new zones in the new wells with prior permission from the Railroad Commission. Regarding the remaining 17 PUD locations operated by others (.6 bcfe), a location is currently being prepared to drill 1 well with plans for a second well to follow, 5 wells in 2012, 6 in 2013 and 4 in 2014.

Included in proved undeveloped reserves at March 31, 2011 are approximately 2.7 bcfe of material reserves which have remained undeveloped for more than five years. These primarily consist of three drilling locations in an area where we have long-standing operations. These locations are currently held by production from other wells in which Mexco owns. During fiscal years 2009 through 2010, we were reasonably certain that we would drill wells associated with these PUDs within the next five years; however, we were given the opportunity to participate in, or operate wells, that were not held by production, were not planned and presented themselves to the Company with a short amount of time to commit. We were not the operator of some of the opportunities in which we were able to participate. Other projects that arose were presented to the Company as an operator and we were able to collect a prospect fee and participate with a partial carried interest financed by others. A portion of our capital was allocated to non-operated working interests where failure to participate would cause a forfeiture in preference to developing reserves in which we were the operator and no forfeiture would result from deferring development. Our timetable for the three new wells is to drill one per year over the next three years beginning in fiscal 2012.

The following table discloses our progress toward the conversion of PUDs during 2011.

Progress of Converting Proved Undeveloped Reserves:

	Oil & Natural Gas  (Mcf)	Future Development Costs
PUDs, beginning of year	3,976,777	\$2,982,205
Revision of previous estimates	36,180	116,667
Conversions to PD reserves	(53,603	) (10,882
Additional PUDs added	614,742	657,840
PUDs, end of year	4,574,096	\$3,745,830

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In December 2008, the SEC issued its final rule, Modernization of Oil and Gas Reporting, which is effective for reporting reserve information for fiscal years ending December 2009. In January 2010, the FASB issued its authoritative guidance on extractive activities for oil and gas to align its requirements with the SEC's final rule. We adopted the guidance as of March 31, 2010 in conjunction with our year-end reserve report as a change in accounting principle that is inseparable from a change in accounting estimate. Under the SEC's final rule, prior period reserves were not restated.

The new reporting rules require that year end reserve calculations and future cash inflows be based on the 12-month average market prices for sales of oil and gas on the first calendar day of each month during the fiscal year discounted at 10% per year and assuming continuation of existing economic conditions. The average prices used for fiscal 2011 were \$77.27 per bbl of oil and \$3.88 per mcf of natural gas. The average prices used for fiscal 2010 were \$66.21 per bbl of oil and \$3.77 per mcf of natural gas. Prices used for fiscal 2009 were \$42.12 per bbl of oil and \$3.13 per mcf of natural gas based on the year end weighted average prices of oil and natural gas, the oil and gas disclosure requirements effective during that period.

If we had used the March 31, 2010 prices in our fiscal 2010 calculations as in previous years, our total reserves would have decreased 52,000 Mcfe. This decrease in reserves would have had an effect on our DD&A and net income for the fourth quarter of 2010. The effect on DD&A was an increase of approximately \$5,500 and a decrease in net income of approximately \$3,800.

The following is a standardized measure of the discounted net future cash flows and changes applicable to proved oil and gas reserves presented pursuant to ASC 932. Future price changes were considered to the extent provided by contractual arrangements in existence at year end. Future development and production costs were computed by estimating the expenditures to be incurred in developing and producing the proved oil and gas reserves at the end of the year, based on year end costs. Future income tax expenses were computed by applying the year end statutory tax rates with consideration of future tax rates already legislated as well as tax credits and allowances relating to our proved oil and gas reserves to the future pre-tax net cash flows relating to our proved oil and gas reserves.

The standardized measure of discounted future net cash flows, in management's opinion, should be examined with caution. The basis for this table is the reserve studies prepared by an independent petroleum engineering consultant, which contain imprecise estimates of quantities and rates of production of reserves. Revisions of previous year estimates can have a significant impact on these results. Also, exploration costs in one year may lead to significant discoveries in later years and may significantly change previous estimates of proved reserves and their valuation. Therefore, the standardized measure of discounted future net cash flow is not necessarily indicative of the fair value of our proved oil and gas properties.

The standardized measure of discounted future cash flows at March 31, 2011, 2010 and 2009, which represents the present value of estimated future cash flows using a discount rate of 10% a year, follows:

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Reserves:

	March 31		
	2011	2010	2009
Future cash inflows	\$56,413,000	\$47,638,000	\$38,369,000
Future production costs and taxes	(11,086,000 )	(10,101,000 )	(8,182,000 )
Future development costs	(4,029,000 )	(3,265,000 )	(3,384,000 )
Future income taxes (a)	(9,118,000 )	(7,439,000 )	(5,306,000 )
Future net cash flows	32,180,000	26,833,000	21,497,000
Annual 10% discount for estimated timing of cash flows	(14,528,000 )	(12,673,000 )	(9,989,000 )

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Standardized measure of discounted future net cash flows	\$17,652,000	\$14,160,000	\$11,508,000
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(a) Future income taxes are computed using effective tax rates on future net cash flows before income taxes less the tax bases of the oil and gas properties and effects of statutory depletion.

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Changes in Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves:

	March 31		
	2011	2010	2009
Sales of oil and gas produced, net of production costs	\$(2,119,000 )	\$(2,167,000 )	\$(3,681,000 )
Net changes in price and production costs	1,590,000	4,287,000	(27,213,000 )
Changes in previously estimated development costs	830,000	(35,000 )	1,116,000
Revisions of quantity estimates	1,088,000	397,000	(324,000 )
Net change due to purchases and sales of minerals in place	1,976,000	11,000	1,572,000
Extensions and discoveries, less related costs	165,000	345,000	1,931,000
Net change in income taxes	(1,076,000 )	(1,085,000 )	3,124,000
Accretion of discount	1,809,000	1,435,000	4,090,000
Changes in timing of estimated cash flows and other	(771,000 )	(536,000 )	(1,605,000 )
Changes in standardized measure	3,492,000	2,652,000	(20,990,000 )
Standardized measure, beginning of year	14,160,000	11,508,000	32,498,000
Standardized measure, end of year	\$17,652,000	\$14,160,000	\$11,508,000

14. Selected Quarterly Financial Data (Unaudited)

	FISCAL 2011			
	4th QTR	3rd QTR	2nd QTR	1st QTR
Oil and gas revenue	\$776,469	\$752,778	\$783,990	\$832,010
Operating profit (loss)	88,177	68,100	59,722	(39,898 )
Net income	52,982	26,898	70,040	5,776
Net income per share – basic	.03	0.01	0.04	0.00
Net income per share – diluted	.03	0.01	0.04	0.00

	FISCAL 2010			
	4th QTR	3rd QTR	2nd QTR	1st QTR
Oil and gas revenue	\$971,974	\$857,035	\$737,944	\$653,810
Operating profit (loss)	129,931	136,585	(4,137 )	(86,171 )
Net income (loss)	143,347	167,145	158,350	(68,003 )
Net income (loss) per share – basic	.07	0.09	0.08	(0.04 )
Net income (loss) per share – diluted	.07	0.09	0.08	(0.04 )

15. Subsequent Events

The Company completed a review and analysis of all events that occurred after the balance sheet date to determine if any such events must be reported and has determined that there are no subsequent events to be disclosed.

INDEX TO EXHIBITS

Exhibit  
Number

3.1*	Articles of Incorporation
3.2****	Amended Bylaws as amended on November 15, 2008
10.1**	Stock Option Plan
10.2*	Bank Line of Credit
10.3*****	2004 Incentive Stock Option Plan
10.4*****	2009 Employee Incentive Stock Plan
14.1*****	Code of Business Conduct and Ethics
21	Subsidiaries of the Company
23.1	Consent of Independent Registered Public Accounting Firm
23.2	Consent of Independent Petroleum Engineers
31.1	Certification of the Chief Executive Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer of the Company pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.1	Report of Joe C. Neal & Associates, Independent Petroleum Engineer

\* Incorporated by reference to the Company's Annual Report on Form 10-K dated June 24, 1998.  
\*\* Incorporated by reference to the Amendment to Schedule 14C Information Statement filed on August 13, 1998.  
\*\*\* Filed as Exhibit 3.1 with the Company's Quarterly Report on Form 10-Q dated November 13, 2008.  
\*\*\*\* Filed with the Company's Proxy Statement filed July 9, 2004.  
\*\*\*\*\* Filed with the Company's Proxy Statement filed July 16, 2009.  
\*\*\*\*\* Filed with the Company's Quarterly Report on Form 10-Q filed on November 15, 2004.