

MID AMERICA APARTMENT COMMUNITIES INC.
Form 10-Q
May 03, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

✓ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2019
or

“ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-12762 (Mid-America Apartment Communities, Inc.)

Commission File Number: 333-190028-01 (Mid-America Apartments, L.P.)

MID-AMERICA APARTMENT COMMUNITIES, INC.

MID-AMERICA APARTMENTS, L.P.

(Exact name of registrant as specified in its charter)

Tennessee (Mid-America Apartment Communities, Inc.) 62-1543819

Tennessee (Mid-America Apartments, L.P.) 62-1543816

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

6815 Poplar Ave., Suite 500, Germantown, TN 38138

(Address of principal executive offices) (Zip Code)

(901) 682-6600

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$.01 per share (Mid-America Apartment Communities, Inc.)	MAA	New York Stock Exchange

8.50% Series I Cumulative Redeemable Preferred Stock, \$.01 par value per share (Mid-America Apartment Communities, Inc.)	MAA^I	New York Stock Exchange
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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

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Mid-America Apartment Communities, Inc. YES NO
 Mid-America Apartments, L.P. YES NO

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Mid-America Apartment Communities, Inc. YES NO
 Mid-America Apartments, L.P. YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Mid-America Apartment Communities, Inc.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
-------------------------------------------------------------	--------------------------------------------	------------------------------------------------	----------------------------------------------------	--------------------------------------------------

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Mid-America Apartments, L.P.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>	Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input type="checkbox"/>	Emerging growth company <input type="checkbox"/>
--------------------------------------------------	--------------------------------------------	-----------------------------------------------------------	----------------------------------------------------	--------------------------------------------------

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Mid-America Apartment Communities, Inc. YES NO
 Mid-America Apartments, L.P. YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Mid-America Apartment Communities, Inc.	Number of Shares Outstanding at
Class	April 29, 2019
Common Stock, \$0.01 par value	113,995,608

MID-AMERICA APARTMENT COMMUNITIES, INC.
MID-AMERICA APARTMENTS, L.P.

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Explanatory Note

This report combines the Quarterly Reports on Form 10-Q for the quarter ended March 31, 2019 of Mid-America Apartment Communities, Inc., a Tennessee corporation, and Mid-America Apartments, L.P., a Tennessee limited partnership, of which Mid-America Apartment Communities, Inc. is the sole general partner. Mid-America Apartment Communities, Inc. and its 96.5% owned subsidiary, Mid-America Apartments, L.P., are both required to file quarterly reports under the Securities Exchange Act of 1934, as amended.

Unless the context otherwise requires, all references in this Quarterly Report on Form 10-Q to "MAA" refer only to Mid-America Apartment Communities, Inc., and not any of its consolidated subsidiaries. Unless the context otherwise requires, all references in this report to "we," "us," "our," or the "Company" refer collectively to Mid-America Apartment Communities, Inc., together with its consolidated subsidiaries, including Mid-America Apartments, L.P. Unless the context otherwise requires, all references in this report to the "Operating Partnership" or "MAALP" refer to Mid-America Apartments, L.P. together with its consolidated subsidiaries. "Common stock" refers to the common stock of MAA, "preferred stock" refers to the preferred stock of MAA and "shareholders" refers to the holders of shares of MAA's common stock or preferred stock, as applicable. The common units of limited partnership interest in the Operating Partnership are referred to as "OP Units" and the holders of the OP Units are referred to as "common unitholders".

As of March 31, 2019, MAA owned 113,916,208 OP Units (96.5% of the total number of OP Units). MAA conducts substantially all of its business and holds substantially all of its assets, directly or indirectly, through the Operating Partnership, and by virtue of its ownership of the OP Units and being the Operating Partnership's sole general partner, MAA has the ability to control all of the day-to-day operations of the Operating Partnership.

We believe combining the periodic reports of MAA and the Operating Partnership, including the notes to the condensed consolidated financial statements, into this report results in the following benefits:

- enhances investors' understanding of MAA and the Operating Partnership by enabling investors to view the business as a whole in the same manner that management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure in this report applies to both MAA and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined report instead of two separate reports.

MAA is a multifamily focused, self-administered and self-managed real estate investment trust, or REIT. Management operates MAA and the Operating Partnership as one business. We believe it is important to understand the few differences between MAA and the Operating Partnership in the context of how MAA and the Operating Partnership operate as a consolidated company. MAA and the Operating Partnership are structured as an umbrella partnership REIT, or UPREIT. MAA's interest in the Operating Partnership entitles MAA to share in cash distributions from, and in the profits and losses of, the Operating Partnership in proportion to MAA's percentage interest therein and entitles MAA to vote on substantially all matters requiring a vote of the partners. MAA's only material asset is its ownership of limited partnership interests in the Operating Partnership (other than cash held by MAA from time to time); therefore, MAA's primary function is acting as the sole general partner of the Operating Partnership, issuing public equity from time to time and guaranteeing certain debt of the Operating Partnership. The Operating Partnership holds, directly or indirectly, all of the real estate assets. Except for net proceeds from public equity issuances by MAA, which are contributed to the Operating Partnership in exchange for limited partnership interests, the Operating Partnership generates the capital required by the Company's business through the Operating Partnership's operations, direct or indirect incurrence of indebtedness and issuance of OP Units.

The presentation of MAA's shareholders' equity and the Operating Partnership's capital are the principal areas of difference between the consolidated financial statements of MAA and those of the Operating Partnership. MAA's shareholders' equity may include shares of preferred stock, shares of common stock, additional paid-in capital, cumulative earnings, cumulative distributions, noncontrolling interest, treasury shares, accumulated other comprehensive income and redeemable common stock. The Operating Partnership's capital may include common capital and preferred capital of the general partner (MAA), limited partners' common capital and preferred capital, noncontrolling interest, accumulated other comprehensive income and redeemable common units. Holders of OP Units (other than MAA and its subsidiaries) may require the Operating Partnership to redeem their OP Units from time to time, in which case the Operating Partnership may, at its option, pay the redemption price either in cash (in an amount per OP Unit equal, in general, to the average closing price of MAA's common stock on the New York Stock Exchange, or NYSE, over a specified period prior to the redemption date) or by delivering one share of MAA's common stock (subject to adjustment under specified circumstances) for each OP Unit so redeemed.

In order to highlight the material differences between MAA and the Operating Partnership, this combined Quarterly Report on Form 10-Q includes sections that separately present and discuss areas that are materially different between MAA and the Operating Partnership, including:

- the condensed consolidated financial statements in Item 1 of this Quarterly Report on Form 10-Q;
- certain accompanying notes to the condensed consolidated financial statements, including Note 2 - Earnings per Common Share of MAA and Note 3 - Earnings per OP Unit of MAALP; Note 4 - MAA Equity and Note 5 - MAALP Capital; and Note 8 - Shareholders' Equity of MAA and Note 9 - Partners' Capital of MAALP;
- the controls and procedures in Item 4 of this Quarterly Report on Form 10-Q; and
- the certifications included as Exhibits 31 and 32 to this Quarterly Report on Form 10-Q.

In the sections that combine disclosures for MAA and the Operating Partnership, this report refers to actions or holdings as being actions or holdings of the Company. Although the Operating Partnership (directly or indirectly through one of its subsidiaries) is generally the entity that enters into contracts, holds assets and issues debt, management believes this presentation is appropriate for the reasons set forth above and because we operate the business through the Operating Partnership. MAA, the Operating Partnership and its subsidiaries operate as one consolidated business, but MAA, the Operating Partnership and each of its subsidiaries are separate, distinct legal entities.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

Mid-America Apartment Communities, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)
(Dollars in thousands, except share and per share data)

	March 31, 2019	December 31, 2018
Assets		
Real estate assets:		
Land	\$ 1,878,209	\$ 1,868,828
Buildings and improvements and other	11,730,705	11,670,216
Development and capital improvements in progress	57,396	59,506
	13,666,310	13,598,550
Less: Accumulated depreciation	(2,668,708)	(2,549,287)
	10,997,602	11,049,263
Undeveloped land	58,257	58,257
Investment in real estate joint venture	44,138	44,181
Real estate assets, net	11,099,997	11,151,701
Cash and cash equivalents		
Cash and cash equivalents	44,623	34,259
Restricted cash	14,764	17,414
Other assets	144,378	120,407
Total assets	\$ 11,303,762	\$ 11,323,781
Liabilities and equity		
Liabilities:		
Unsecured notes payable	\$ 3,886,236	\$ 4,053,302
Secured notes payable	661,862	475,026
Accrued expenses and other liabilities	419,320	413,850
Total liabilities	4,967,418	4,942,178
Redeemable common stock		
	11,045	9,414
Shareholders' equity:		
Preferred stock, \$0.01 par value per share, 20,000,000 shares authorized; 8.50% Series I Cumulative Redeemable Shares, liquidation preference \$50 per share, 867,846 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively.	9	9
Common stock, \$0.01 par value per share, 145,000,000 shares authorized; 113,916,208 and 113,844,267 shares issued and outstanding as of March 31, 2019 and December 31, 2018, respectively ⁽¹⁾	1,137	1,136
Additional paid-in capital	7,141,544	7,138,170
Accumulated distributions in excess of net income	(1,037,268)	(989,263)
Accumulated other comprehensive loss	(3,300)	(212)
Total MAA shareholders' equity	6,102,122	6,149,840
Noncontrolling interests - Operating Partnership units	218,011	220,043
Total Company's shareholders' equity	6,320,133	6,369,883

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Noncontrolling interests - consolidated real estate entities	5,166	2,306
Total equity	6,325,299	6,372,189
Total liabilities and equity	\$ 11,303,762	\$ 11,323,781

Number of shares issued and outstanding represent total shares of common stock regardless of classification on the
(1) Condensed Consolidated Balance Sheets. The number of shares classified as redeemable common stock on the
Condensed Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018 are 101,025 and 98,371,
respectively.

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartment Communities, Inc.
Condensed Consolidated Statements of Operations
(Unaudited)
(Dollars in thousands, except per share data)

	Three months ended March 31,	
	2019	2018
Revenues:		
Rental and other property revenues	\$401,178	\$386,017
Expenses:		
Operating expense, excluding real estate taxes and insurance	89,793	89,148
Real estate taxes and insurance	59,584	55,256
Depreciation and amortization	122,789	120,744
Total property operating expenses	272,166	265,148
Property management expenses	13,842	12,880
General and administrative expenses	13,153	10,132
Merger and integration related expenses	—	3,799
Interest expense	45,700	40,905
Loss on sale of depreciable real estate assets	13	—
Gain on sale of non-depreciable real estate assets	(8,963)	(150)
Other non-operating (income) expense	(935)	2,341
Income before income tax expense	66,202	50,962
Income tax expense	(641)	(640)
Income from continuing operations before real estate joint venture activity	65,561	50,322
Income from real estate joint venture	397	498
Net income	65,958	50,820
Net income attributable to noncontrolling interests	2,298	1,801
Net income available for shareholders	63,660	49,019
Dividends to MAA Series I preferred shareholders	922	922
Net income available for MAA common shareholders	\$62,738	\$48,097
Earnings per common share - basic:		
Net income available for MAA common shareholders	\$0.55	\$0.42
Earnings per common share - diluted:		
Net income available for MAA common shareholders	\$0.55	\$0.42

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartment Communities, Inc.
 Condensed Consolidated Statements of Comprehensive Income
 (Unaudited)
 (Dollars in thousands)

	Three months ended March 31,	
	2019	2018
Net income	\$65,958	\$50,820
Other comprehensive income:		
Unrealized (loss) gain from derivative instruments	(2,456)	832
Adjustment for net gains reclassified into net income from derivative instruments	(745)	(193)
Total comprehensive income	62,757	51,459
Less: Comprehensive income attributable to noncontrolling interests	(2,185)	(1,830)
Comprehensive income attributable to MAA	\$60,572	\$49,629

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartment Communities, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Dollars in thousands)

	Three months ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net income	\$65,958	\$50,820
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	123,082	121,361
Loss on sale of depreciable real estate assets	13	—
Gain on sale of non-depreciable real estate assets	(8,963)	(150)
Stock compensation expense	4,785	4,024
Amortization of debt premium and debt issuance costs	1,747	(1,569)
Net change in operating accounts and other	(31,944)	(21,782)
Net cash provided by operating activities	154,678	152,704
Cash flows from investing activities:		
Purchases of real estate and other assets	(13,595)	—
Capital improvements, development and other	(53,214)	(51,775)
Distributions from real estate joint ventures	43	—
Contributions to affiliates	—	(750)
Proceeds from disposition of real estate assets	13,882	5,860
Net cash used in investing activities	(52,884)	(46,665)
Cash flows from financing activities:		
Proceeds from lines of credit	145,000	150,000
Repayments of lines of credit	(610,000)	(110,000)
Proceeds from notes payable	490,435	—
Principal payments on notes payable	(1,847)	(41,042)
Payment of deferred financing costs	(4,705)	—
Distributions to noncontrolling interests	(3,947)	(3,865)
Dividends paid on common shares	(109,324)	(104,876)
Dividends paid on preferred shares	(922)	(922)
Net change in other financing activities	1,230	(2,091)
Net cash used in financing activities	(94,080)	(112,796)
Net increase (decrease) in cash, cash equivalents and restricted cash	7,714	(6,757)
Cash, cash equivalents and restricted cash, beginning of period	51,673	88,867
Cash, cash equivalents and restricted cash, end of period	\$59,387	\$82,110

The following table provides a reconciliation of cash, cash equivalents and restricted cash to amounts reported within the Condensed Consolidated Balance Sheets:

Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$44,623	\$59,706
Restricted cash	14,764	22,404
Total cash, cash equivalents and restricted cash	\$59,387	\$82,110

Supplemental disclosure of cash flow information:

Interest paid	\$ 18,322	\$ 24,889
Income taxes paid	59	2,522

Supplemental disclosure of noncash investing and financing activities:

Conversion of OP Units to shares of common stock	\$ 336	\$ 2,780
Accrued construction in progress	15,155	14,640
Interest capitalized	388	795
Mark-to-market adjustment on derivative instruments	3,633	(1,363)

See accompanying notes to condensed consolidated financial statements.

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Mid-America Apartments, L.P.
Condensed Consolidated Balance Sheets
(Unaudited)
(Dollars in thousands, except unit data)

	March 31, 2019	December 31, 2018
Assets		
Real estate assets:		
Land	\$ 1,878,209	\$ 1,868,828
Buildings and improvements and other	11,730,705	11,670,216
Development and capital improvements in progress	57,396	59,506
	13,666,310	13,598,550
Less: Accumulated depreciation	(2,668,708)	(2,549,287)
	10,997,602	11,049,263
Undeveloped land	58,257	58,257
Investment in real estate joint venture	44,138	44,181
Real estate assets, net	11,099,997	11,151,701
Cash and cash equivalents		
Restricted cash	44,623	34,259
Other assets	14,764	17,414
Total assets	144,378	120,407
	\$ 11,303,762	\$ 11,323,781
Liabilities and capital		
Liabilities:		
Unsecured notes payable	\$ 3,886,236	\$ 4,053,302
Secured notes payable	661,862	475,026
Accrued expenses and other liabilities	419,320	413,850
Due to general partner	19	19
Total liabilities	4,967,437	4,942,197
Redeemable common units	11,045	9,414
Operating Partnership capital:		
Preferred units, 867,846 preferred units outstanding as of March 31, 2019 and December 31, 2018, respectively	66,840	66,840
Common units:		
General partner, 113,916,208 and 113,844,267 OP Units outstanding as of March 31, 2019 and December 31, 2018, respectively ⁽¹⁾	6,038,625	6,083,142
Limited partners, 4,105,171 and 4,111,301 OP Units outstanding as of March 31, 2019 and December 31, 2018, respectively ⁽¹⁾	218,011	220,043
Accumulated other comprehensive loss	(3,362)	(161)
Total operating partners' capital	6,320,114	6,369,864
Noncontrolling interests - consolidated real estate entities	5,166	2,306
Total capital	6,325,280	6,372,170
Total liabilities and capital	\$ 11,303,762	\$ 11,323,781

⁽¹⁾ Number of units outstanding represent total OP Units regardless of classification on the Condensed Consolidated Balance Sheets. The number of units classified as redeemable common units on the Condensed Consolidated

Balance Sheets as of March 31, 2019 and December 31, 2018 are 101,025 and 98,371, respectively.
See accompanying notes to condensed consolidated financial statements.

Mid-America Apartments, L.P.
Condensed Consolidated Statements of Operations
(Unaudited)
(Dollars in thousands, except per unit data)

	Three months ended March 31,	
	2019	2018
Revenues:		
Rental and other property revenues	\$401,178	\$386,017
Expenses:		
Operating expense, excluding real estate taxes and insurance	89,793	89,148
Real estate taxes and insurance	59,584	55,256
Depreciation and amortization	122,789	120,744
Total property operating expenses	272,166	265,148
Property management expenses	13,842	12,880
General and administrative expenses	13,153	10,132
Merger and integration related expenses	—	3,799
Interest expense	45,700	40,905
Loss on sale of depreciable real estate assets	13	—
Gain on sale of non-depreciable real estate assets	(8,963)	(150)
Other non-operating (income) expense	(935)	2,341
Income before income tax expense	66,202	50,962
Income tax expense	(641)	(640)
Income from continuing operations before real estate joint venture activity	65,561	50,322
Income from real estate joint venture	397	498
Net income	65,958	50,820
Dividends to preferred unitholders	922	922
Net income available for MAALP common unitholders	\$65,036	\$49,898
Earnings per common unit - basic:		
Net income available for MAALP common unitholders	\$0.55	\$0.42
Earnings per common unit - diluted:		
Net income available for MAALP common unitholders	\$0.55	\$0.42

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartments, L.P.
 Condensed Consolidated Statements of Comprehensive Income
 (Unaudited)
 (Dollars in thousands)

	Three months ended March 31,	
	2019	2018
Net income	\$65,958	\$50,820
Other comprehensive income:		
Unrealized (loss) gain from derivative instruments	(2,456)	832
Adjustment for net gains reclassified into net income from derivative instruments	(745)	(193)
Comprehensive income attributable to MAALP	\$62,757	\$51,459

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartments, L.P.
Condensed Consolidated Statements of Cash Flows
(Unaudited)
(Dollars in thousands)

	Three months ended March 31,	
	2019	2018
Cash flows from operating activities:		
Net income	\$65,958	\$50,820
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	123,082	121,361
Loss on sale of depreciable real estate assets	13	—
Gain on sale of non-depreciable real estate assets	(8,963)	(150)
Stock compensation expense	4,785	4,024
Amortization of debt premium and debt issuance costs	1,747	(1,569)
Net change in operating accounts and other	(31,944)	(21,782)
Net cash provided by operating activities	154,678	152,704
Cash flows from investing activities:		
Purchases of real estate and other assets	(13,595)	—
Capital improvements, development and other	(53,214)	(51,775)
Distributions from real estate joint ventures	43	—
Contributions to affiliates	—	(750)
Proceeds from disposition of real estate assets	13,882	5,860
Net cash used in investing activities	(52,884)	(46,665)
Cash flows from financing activities:		
Proceeds from lines of credit	145,000	150,000
Repayments of lines of credit	(610,000)	(110,000)
Proceeds from notes payable	490,435	—
Principal payments on notes payable	(1,847)	(41,042)
Payment of deferred financing costs	(4,705)	—
Distributions paid on common units	(113,271)	(108,741)
Distributions paid on preferred units	(922)	(922)
Net change in other financing activities	1,230	(2,091)
Net cash used in financing activities	(94,080)	(112,796)
Net increase (decrease) in cash, cash equivalents and restricted cash	7,714	(6,757)
Cash, cash equivalents and restricted cash, beginning of period	51,673	88,867
Cash, cash equivalents and restricted cash, end of period	\$59,387	\$82,110

The following table provides a reconciliation of cash, cash equivalents and restricted cash to amounts reported within the Condensed Consolidated Balance Sheets:

Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$44,623	\$59,706
Restricted cash	14,764	22,404
Total cash, cash equivalents and restricted cash	\$59,387	\$82,110

Supplemental disclosure of cash flow information:

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Interest paid	\$18,322	\$24,889
Income taxes paid	59	2,522
Supplemental disclosure of noncash investing and financing activities:		
Accrued construction in progress	\$15,155	\$14,640
Interest capitalized	388	795
Mark-to-market adjustment on derivative instruments	3,633	(1,363)

See accompanying notes to condensed consolidated financial statements.

Mid-America Apartment Communities, Inc. and Mid-America Apartments, L.P.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation and Principles of Consolidation and Significant Accounting Policies

Unless the context otherwise requires, all references to the "Company" refer collectively to Mid-America Apartment Communities, Inc., together with its consolidated subsidiaries, including Mid-America Apartments, L.P. Unless the context otherwise requires, all references to "MAA" refer only to Mid-America Apartment Communities, Inc., and not any of its consolidated subsidiaries. Unless the context otherwise requires, the references to the "Operating Partnership" or "MAALP" refer to Mid-America Apartments, L.P. together with its consolidated subsidiaries. "Common stock" refers to the common stock of MAA and, unless the context otherwise requires, "shareholders" refers to the holders of shares of MAA's common stock. The common units of limited partnership interests in the Operating Partnership are referred to as "OP Units," and the holders of the OP Units are referred to as "common unitholders".

As of March 31, 2019, MAA owned 113,916,208 OP Units (or 96.5% of the total number of OP Units). MAA conducts substantially all of its business and holds substantially all of its assets, directly or indirectly, through the Operating Partnership, and by virtue of its ownership of the OP Units and being the Operating Partnership's sole general partner, MAA has the ability to control all of the day-to-day operations of the Operating Partnership.

Management believes combining the notes to the condensed consolidated financial statements of MAA and the Operating Partnership results in the following benefits:

- enhances readers' understanding of MAA and the Operating Partnership by enabling the reader to view the business as a whole in the same manner that management views and operates the business;
- eliminates duplicative disclosure and provides a more streamlined and readable presentation since a substantial portion of the disclosure applies to both MAA and the Operating Partnership; and
- creates time and cost efficiencies through the preparation of one combined set of notes instead of two separate sets.

MAA is a multifamily focused, self-administered and self-managed real estate investment trust, or REIT. Management operates MAA and the Operating Partnership as one business. The management of the Company is comprised of individuals who are officers of MAA and employees of the Operating Partnership. Management believes it is important to understand the few differences between MAA and the Operating Partnership in the context of how MAA and the Operating Partnership operate as a consolidated company. MAA and the Operating Partnership are structured as an umbrella partnership REIT, or UPREIT. MAA's interest in the Operating Partnership entitles MAA to share in cash distributions from, and in the profits and losses of, the Operating Partnership in proportion to MAA's percentage interest therein and entitles MAA to vote on substantially all matters requiring a vote of the partners. MAA's only material asset is its ownership of limited partnership interests in the Operating Partnership (other than cash held by MAA from time to time); therefore, MAA's primary function is acting as the sole general partner of the Operating Partnership, issuing public equity from time to time and guaranteeing certain debt of the Operating Partnership. The Operating Partnership holds, directly or indirectly, all of the Company's real estate assets. Except for net proceeds from public equity issuances by MAA, which are contributed to the Operating Partnership in exchange for limited partnership interests, the Operating Partnership generates the capital required by the business through the Operating Partnership's operations, direct or indirect incurrence of indebtedness and issuance of OP Units.

The presentations of MAA's shareholders' equity and the Operating Partnership's capital are the principal areas of difference between the condensed consolidated financial statements of MAA and those of the Operating Partnership. MAA's shareholders' equity may include shares of preferred stock, shares of common stock, additional paid-in capital,

cumulative earnings, cumulative distributions, noncontrolling interest, treasury shares, accumulated other comprehensive income and redeemable common stock. The Operating Partnership's capital may include common capital and preferred capital of the general partner (MAA), limited partners' common capital and preferred capital, noncontrolling interest, accumulated other comprehensive income and redeemable common units. Holders of OP Units (other than MAA and its subsidiaries) may require the Operating Partnership to redeem their OP Units from time to time, in which case the Operating Partnership may, at its option, pay the redemption price either in cash (in an amount per OP Unit equal, in general, to the average closing price of MAA's common stock on the New York Stock Exchange, or NYSE, over a specified period prior to the redemption date) or by delivering one share of MAA's common stock (subject to adjustment under specified circumstances) for each OP Unit so redeemed.

Organization of Mid-America Apartment Communities, Inc.

The Company owns, operates, acquires and selectively develops apartment communities primarily located in the Southeast, Southwest and Mid-Atlantic regions of the United States. As of March 31, 2019, the Company owned and operated 303 apartment communities through the Operating Partnership and its subsidiaries and had an ownership interest in one apartment community through an unconsolidated real estate joint venture. As of March 31, 2019, the Company had five development communities under construction totaling 1,090 apartment units. Total expected costs for these five development projects are \$230.5 million, of which \$59.5 million had been incurred through March 31, 2019. The Company expects to complete two developments in the second half of 2019, one development in the first half of 2020, one development in the second half of 2020 and one development in the first half of 2021. Thirty of the Company's apartment communities include retail components with approximately 615,000 square feet of gross leasable space. The Company also has four commercial properties with approximately 260,000 square feet of combined gross leasable area. The Company's apartment communities and commercial properties are located across 17 states and the District of Columbia.

Basis of Presentation and Principles of Consolidation

The accompanying condensed consolidated financial statements have been prepared by the Company's management in accordance with United States generally accepted accounting principles, or GAAP, and applicable rules and regulations of the Securities and Exchange Commission, or the SEC. The condensed consolidated financial statements of MAA presented herein include the accounts of MAA, the Operating Partnership and all other subsidiaries in which MAA has a controlling financial interest. MAA owns, directly or indirectly, approximately 80% to 100% of all consolidated subsidiaries, including the Operating Partnership. The condensed consolidated financial statements of MAALP presented herein include the accounts of MAALP and all other subsidiaries in which MAALP has a controlling financial interest. MAALP owns, directly or indirectly, 80% to 100% of all consolidated subsidiaries. In management's opinion, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included, and all such adjustments were of a normal recurring nature. All significant intercompany accounts and transactions have been eliminated in consolidation.

The Company invests in entities which may qualify as variable interest entities, or VIEs, and MAALP is considered a VIE. A VIE is a legal entity in which the equity investors lack sufficient equity at risk for the entity to finance its activities without additional subordinated financial support or, as a group, the holders of the equity investment at risk lack the power to direct the activities of a legal entity as well as the obligation to absorb its expected losses or the right to receive its expected residual returns. MAALP is classified as a VIE, since the limited partners lack substantive kick-out rights and substantive participating rights. The Company consolidates all VIEs for which it is the primary beneficiary and uses the equity method to account for investments that qualify as VIEs but for which it is not the primary beneficiary. In determining whether the Company is the primary beneficiary of a VIE, management considers both qualitative and quantitative factors, including but not limited to, those activities that most significantly impact the VIE's economic performance and which party controls such activities. The Company uses the equity method of accounting for its investments in entities for which the Company exercises significant influence, but does not have the ability to exercise control. The factors considered in determining whether the Company has the ability to exercise control include ownership of voting interests and participatory rights of investors (see "Investments in Unconsolidated Affiliates" below).

Changes in Presentation

In an effort to simplify the Company's presentation of cash flows from financing activities within the condensed consolidated statements of cash flows, the Company combined "Repurchase of common stock"; "Debt prepayment and extinguishment costs"; "Proceeds from issuances of common shares"; and "Exercise of stock options" into one

line, "Net change in other financing activities" within the cash flows from financing activities section. No presentation changes were made to the cash flows from operating or investing activities sections of the condensed consolidated statements of cash flows. Prior year amounts have been changed to conform to the Company's current year presentation. These changes in presentation had no effect on the Company's ending cash, cash equivalents and restricted cash balances and did not impact the classification of cash flows between operating, investing and financing activities.

Noncontrolling Interests

As of March 31, 2019, the Company had two types of noncontrolling interests with respect to its consolidated subsidiaries, (1) noncontrolling interests related to the common unitholders of its Operating Partnership (see below) and (2) noncontrolling interest related to its consolidated real estate entities (see "Investment in Consolidated Real Estate Entities" below). The noncontrolling interests in the accompanying condensed consolidated financial statements relating to the limited partnership interests in the Operating Partnership are owned by the holders of the Class A OP Units. MAA is the sole general partner of the

Operating Partnership and holds all of the outstanding Class B OP Units. Net income (after allocations to preferred ownership interests) is allocated to MAA and the noncontrolling interests based on their respective ownership percentages of the Operating Partnership. Issuance of additional Class A OP Units or Class B OP Units changes the ownership percentage of both the noncontrolling interests and MAA. The issuance of Class B OP Units generally occurs when MAA issues common stock and the issuance proceeds are contributed to the Operating Partnership in exchange for Class B OP Units equal to the number of shares of MAA's common stock issued. At each reporting period, the allocation between total MAA shareholders' equity and noncontrolling interests is adjusted to account for the change in the respective percentage ownership of the underlying equity of the Operating Partnership. MAA's Board of Directors established economic rights in respect to each Class A OP Unit that were equivalent to the economic rights in respect to each share of MAA common stock. See Note 9 for additional details.

Investments in Unconsolidated Affiliates

Through its investment in a limited liability company, or the Apartment LLC, the Company together with an institutional investor indirectly owns one apartment community, Post Massachusetts Avenue, located in Washington, D.C. The Company owned a 35.0% equity interest in the unconsolidated real estate joint venture as of March 31, 2019 and provides property and asset management services to the Apartment LLC for which it earns fees. The joint venture was determined to be a VIE, but the Company is not designated as a primary beneficiary. As a result, the Company accounts for its investment in the Apartment LLC using the equity method of accounting as the Company is able to exert significant influence over the joint venture but does not have a controlling interest. As of March 31, 2019, the Company's investment in the Apartment LLC totaled \$44.1 million.

In September 2017, a subsidiary of the Operating Partnership invested in a limited partnership, Real Estate Technology Ventures, L.P. As of March 31, 2019, the Operating Partnership indirectly owned 20.7% of the limited partnership. The limited partnership was determined to be a VIE, but the Company is not designated as a primary beneficiary. As a result, the Company accounts for its investment in the limited partnership using the equity method of accounting as the investment is considered more than minor. As of March 31, 2019, the Company's investment in the limited partnership totaled \$3.7 million and is included in "Other assets" in the accompanying Condensed Consolidated Balance Sheet. As of March 31, 2019, the Company was committed to make additional capital contributions totaling \$13.6 million if and when called by the general partner of the limited partnership and until September 2022.

Investments in Consolidated Real Estate Entities

The Company owns a 92.5% equity interest in a consolidated real estate entity that developed, constructed and operates a 359-unit apartment community in Denver, Colorado. The owner of the remaining 7.5% equity interest, a private real estate company, was generally responsible for the development and construction of the community, which was completed during the year ended December 31, 2018. The Company will continue to operate and manage the community. The entity was determined to be a VIE with the Company designated as the primary beneficiary. As a result, the accounts of the entity are consolidated by the Company. As of March 31, 2019, the consolidated assets and liabilities included buildings and improvements and other, net of accumulated depreciation of \$69.8 million; land of \$14.9 million; and accrued expenses and other liabilities of \$1.0 million.

During the first quarter of 2019, the Company acquired an 80.0% equity interest in a consolidated real estate entity that will develop, construct and operate an apartment community in Phoenix, Arizona. The joint venture acquired the land site and initiated development of the apartment community in the first quarter of 2019. The owner of the remaining 20.0% equity interest, a private real estate company, is responsible for the development and construction of the community, and the Company will operate and manage the community upon its completion. The entity was determined to be a VIE with the Company designated as the primary beneficiary. As a result, the accounts of the

entity are consolidated by the Company. As of March 31, 2019, the consolidated assets and liabilities included development and capital improvements in process of \$4.7 million; land of \$9.4 million; and accrued expenses and other liabilities of \$0.7 million.

Fair Value Measurements

The Company applies the guidance in Accounting Standards Codification, or ASC, Topic 820, Fair Value Measurements and Disclosures, to the valuation of real estate assets recorded at fair value, if any; to its impairment valuation analysis of real estate assets; to its disclosure of the fair value of financial instruments, principally indebtedness; and to its derivative financial instruments. Fair value disclosures required under ASC Topic 820 are summarized in Note 7 utilizing the following hierarchy:

Level 1 - Quoted prices in active markets for identical assets or liabilities that are accessible at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

Leases

In 2016, the Financial Accounting Standard Board, or FASB, issued Accounting Standard Update, or ASU, 2016-02, Leases (Topic 842), which established new principles, presentation and disclosure requirements for lease accounting for both the lessee and lessor. On January 1, 2019, management adopted ASU 2016-02 using the modified retrospective transition approach with an effective date as of the adoption date and elected certain practical expedients allowed by the new standard. Under the new standard, lessors are required to account for leases in a similar manner as previous lease accounting guidance but aligned with the newly adopted revenue recognition standard. Lessees are required to record most leases on the balance sheet and recognize lease expense in the income statement in a manner similar to previous practice. The new standard requires a lessee to recognize a lease liability for the obligation to make lease payments and a right-of-use asset for the right to use the underlying asset for all leases with terms of more than twelve months. Expenses related to leases determined to be operating leases are recognized on a straight-line basis, while expenses related to leases determined to be financing leases are recognized based on an effective interest method in which interest and amortization are presented separately in the income statement.

Comparative periods presented in this Quarterly Report on Form 10-Q continue to apply guidance in ASC Topic 840, Leases, and have not been recast as the Company adopted the new standard using the modified retrospective transition approach effective as of January 1, 2019. The adoption of the new lease standard has not resulted in a significant change in the accounting for the Company's rental revenues as the Company's residential, retail and commercial leases, where it is the lessor, will continue to be accounted for as operating leases. Management has elected available practical expedients that provide lessors an option not to separate lease and non-lease components when certain criteria are met, and instead, allow for those components to be accounted for as a single lease component. Thus, beginning with the effective date of the adoption of the new standard, January 1, 2019, rental revenues and non-lease reimbursable property revenues meet the criteria to be aggregated into a single lease component and are reported in the line item, "Rental revenues", as presented in the disaggregation of the Company's revenues in Note 11.

The Company is the lessee under certain ground, office, equipment and other operating leases. Based on its election of the package of practical expedients provided in ASU 2016-02, the Company did not reassess the classification of existing leases with its adoption of ASC Topic 842. The Company's existing leases as of January 1, 2019 will continue to be accounted for as operating leases; however, if contracts are modified subsequent to the adoption of ASC Topic 842, the Company will be required to reassess the contracts using guidance provided under ASC Topic 842. The Company recognized total right-of-use assets of \$54.3 million within "Other assets" and related lease obligations of \$33.6 million within "Accrued expenses and other liabilities" on its Condensed Consolidated Balance Sheets for leases in effect as of January 1, 2019. As most leases do not provide a readily determinable implicit rate to discount future minimum lease payments to present value, management estimated the Company's incremental borrowing rate based on information available as of the date of adoption and based on the remaining lease terms as of the date of initial application. Operating leases recognized upon adoption have a weighted-average remaining lease term of approximately 33 years and a weighted-average discount rate of approximately 4.4%. Lease expense for the three months ended March 31, 2019, recognized under ASC Topic 842, continued to be immaterial for the Company and was recognized in a similar manner as compared to the three months ended March 31, 2018. Cash paid for amounts included in the measurement of operating lease liabilities during the three months ended March 31, 2019 was also immaterial.

Revenue Recognition

The Company primarily leases multifamily residential apartments under operating leases generally due on a monthly basis with terms of approximately one year or less, which are recorded as operating leases. Rental revenues are recognized in accordance with ASC Topic 842 using a method that represents a straight-line basis over the term of the lease. In addition, in circumstances where a lease incentive is provided to tenants, the incentive is recognized as a reduction of rental revenues on a straight-line basis over the reasonably assured lease term. Rental revenues represent

approximately 93% of the Company's total revenues and include gross market rent less adjustments for concessions, vacancy loss and bad debt. Approximately 6% of the Company's total revenues represents reimbursable property revenues from its tenants for utility reimbursements, which are generally recognized and due on a monthly basis as tenants obtain control of the service over the term of the lease. The remaining 1% of the Company's total revenues represents other non-lease revenues primarily driven by nonrefundable fees and commissions.

With the adoption of ASC Topic 842, rental revenues and non-lease reimbursable property revenues meet the criteria to be aggregated into a single lease component and to be reported in a single line, while non-lease reimbursable property revenues recognized prior to January 1, 2019 will continue to be reported as non-lease revenues and recognized in accordance with ASC Topic 606, Revenue Recognition. The guidance requires that revenue recognized outside of the scope of ASC Topic 842 is

recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services.

2. Earnings per Common Share of MAA

Basic earnings per share is computed using the two-class method by dividing net income available to MAA common shareholders by the weighted average number of common shares outstanding during the period. All outstanding unvested restricted share awards contain rights to non-forfeitable dividends and participate in undistributed earnings with shareholders and, accordingly, are considered participating securities that are included in the two-class method of computing basic earnings per share. Both the unvested restricted shares and other potentially dilutive common shares, and the related impact to earnings, are considered when calculating earnings per share on a diluted basis with diluted earnings per share being the more dilutive of the treasury stock or two-class methods. OP Units are included in dilutive earnings per share calculations when the units are dilutive to earnings per share. For the three months ended March 31, 2019 and 2018, MAA's diluted earnings per share was computed using the treasury stock method and the two-class method, respectively, as presented below (dollars and shares in thousands, except per share amounts):

	Three months ended March 31,	
	2019	2018
Calculation of Earnings per Common Share - basic		
Net income	\$65,958	\$50,820
Net income attributable to noncontrolling interests	(2,298)	(1,801)
Unvested restricted stock (allocation of earnings)	(87)	(79)
Preferred dividends	(922)	(922)
Net income available for common shareholders, adjusted	\$62,651	\$48,018
Weighted average common shares - basic	113,726	113,507
Earnings per common share - basic	\$0.55	\$0.42
Calculation of Earnings per Common Share - diluted		
Net income	\$65,958	\$50,820
Net income attributable to noncontrolling interests ⁽¹⁾	(2,298)	(1,801)
Unvested restricted stock (allocation of earnings) ⁽²⁾	—	(79)
Preferred dividends	(922)	(922)
Net income available for common shareholders, adjusted	\$62,738	\$48,018
Weighted average common shares - basic	113,726	113,507
Effect of dilutive securities ⁽²⁾	207	—
Weighted average common shares - diluted	113,933	113,507
Earnings per common share - diluted	\$0.55	\$0.42

⁽¹⁾ For the three months ended March 31, 2019 and March 31, 2018, 4.1 million OP Units and 4.2 million OP Units, respectively, and their related income are not included in the diluted earnings per share calculations as they are not dilutive.

⁽²⁾ For the three months ended March 31, 2018, 0.2 million potentially dilutive securities and their related income are not included in the diluted earnings per share calculation as they are not dilutive.

3. Earnings per OP Unit of MAALP

Basic earnings per common unit is computed using the two-class method by dividing net income available for common unitholders by the weighted average number of OP Units outstanding during the period. All outstanding unvested restricted unit awards contain rights to non-forfeitable distributions and participate in undistributed earnings with common unitholders and, accordingly, are considered participating securities that are included in the two-class method of computing basic earnings per common unit. Diluted earnings per common unit reflects the potential dilution that could occur if securities or other contracts to issue OP Units were exercised or converted into OP Units. Both the unvested restricted unit awards and other potentially dilutive common units, and the related impact to earnings, are considered when calculating earnings per common unit on a diluted basis with diluted earnings per common unit being the more dilutive of the treasury stock or two-class methods. For the three months ended March 31, 2019 and 2018, MAA's diluted earnings per common unit was computed using the treasury stock method and the two-class method, respectively, as presented below (dollars and units in thousands, except per unit amounts):

	Three months ended March 31,	
	2019	2018
Calculation of Earnings per Common Unit - basic		
Net income	\$65,958	\$50,820
Unvested restricted stock (allocation of earnings)	(87)	(79)
Preferred unit distributions	(922)	(922)
Net income available for common unitholders, adjusted	\$64,949	\$49,819
Weighted average common units - basic	117,837	117,689
Earnings per common unit - basic	\$0.55	\$0.42
Calculation of Earnings per Common Unit - diluted		
Net income	\$65,958	\$50,820
Unvested restricted stock (allocation of earnings) ⁽¹⁾	—	(79)
Preferred unit distributions	(922)	(922)
Net income available for common unitholders, adjusted	\$65,036	\$49,819
Weighted average common units - basic	117,837	117,689
Effect of dilutive securities ⁽¹⁾	207	—
Weighted average common units - diluted	118,044	117,689
Earnings per common unit - diluted	\$0.55	\$0.42

⁽¹⁾ For the three months ended March 31, 2018, 0.2 million potentially dilutive securities and their related income are not included in the diluted earnings per share calculation as they are not dilutive.

4. MAA Equity

Changes in total equity and its components for the three months ended March 31, 2019 and 2018 were as follows (dollars in thousands):

Mid-America Apartment Communities, Inc. Shareholders' Equity								
	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Distributions in Excess of Net Income	Accumulated Other Comprehensive Income	Noncontrolling Interests - Operating Partnership	Noncontrolling Interests - Consolidated Real Estate Entities	Total Equity
EQUITY BALANCE DECEMBER 31, 2018	\$9	\$1,136	\$7,138,170	\$(989,263)	\$(212)	\$220,043	\$2,306	\$6,372,189
Net income	—	—	—	63,660	—	2,298	—	65,958
Other comprehensive income - derivative instruments	—	—	—	—	(3,088)	(113)	—	(3,201)
Issuance and registration of common shares	—	1	1,128	—	—	—	—	1,129
Shares repurchased and retired	—	—	(3,023)	—	—	—	—	(3,023)
Exercise of stock options	—	—	208	—	—	—	—	208
Shares issued in exchange for common units	—	—	336	—	—	(336)	—	—
Redeemable stock fair market value adjustment	—	—	—	(1,351)	—	—	—	(1,351)
Adjustment for noncontrolling interests in Operating Partnership	—	—	(60)	—	—	60	—	—
Amortization of unearned compensation	—	—	4,785	—	—	—	—	4,785
Dividends on preferred stock	—	—	—	(922)	—	—	—	(922)
Dividends on common stock (\$0.9600 per share)	—	—	—	(109,392)	—	—	—	(109,392)
Dividends on noncontrolling interests units (\$0.9600 per unit)	—	—	—	—	—	(3,941)	—	(3,941)
Contribution from noncontrolling interest	—	—	—	—	—	—	2,860	2,860
EQUITY BALANCE MARCH 31, 2019	\$9	\$1,137	\$7,141,544	\$(1,037,268)	\$(3,300)	\$218,011	\$5,166	\$6,325,299

Mid-America Apartment Communities, Inc.
Shareholders' Equity

Common Additional Accumulated Accumulated

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	Preferred Stock	Stock	Paid-In Capital	Distribution in Excess of Net Income	Other Comprehensive Income	Noncontrolling Interests - Operating Partnership	Noncontrolling Interests - Consolidated Real Estate Entities
Net realized and unrealized gains (losses) on investments				(9,202,181)			
Net decrease in net assets resulting from operations				\$ (1,406,988)			

The accompanying notes are an integral part of these financial statements.

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Statement of changes in net assets	Wells Fargo Utilities and High Income Fund		25
	Year ended	Year ended	
	August 31, 2018	August 31, 2017	
Operations			
Net investment income	\$ 7,795,193	\$ 8,121,542	
Net realized gains on investments	5,508,086	3,910,826	
Net change in unrealized gains (losses) on investments	(14,710,267)	3,064,651	
Net increase (decrease) in net assets resulting from operations	(1,406,988)	15,097,019	
Distributions to shareholders from			
Net investment income	(8,326,250)	(8,320,654)	
Capital share transactions			
Net asset value of common shares issued under the Automatic Dividend Reinvestment Plan	32,862	116,165	
Total increase (decrease) in net assets	(9,700,376)	6,892,530	
Net assets			
Beginning of period	124,692,772	117,800,242	
End of period	\$ 114,992,396	\$ 124,692,772	
Undistributed (overdistributed) net investment income	\$ (639,518)	\$ 69,019	

The accompanying notes are an integral part of these financial statements.

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26 Wells Fargo Utilities and High Income Fund

Statement of cash flows year ended August 31, 2018

Cash flows from operating activities:

Net decrease in net assets resulting from operations \$ (1,406,988)

Adjustments to reconcile net decrease in net assets from operations to net cash provided by operating activities:

Purchase of long-term securities (144,301,082)

Proceeds from the sales of long-term securities 144,526,492

Amortization 60,708

Purchases and sales of short-term securities, net 14,447,424

Decrease in receivable for investments sold 17,434,220

Increase in receivable for dividends and interest (160,591)

Increase in prepaid expenses and other assets (8,867)

Decrease in payable for investments purchased (16,044,717)

Increase in advisory fee payable 2,160

Decrease in trustees' fees and expenses payable (1,267)

Increase in administration fee payable 180

Increase in accrued expenses and other liabilities 15,790

Litigation payments received 11,014

Net realized gains on investments (5,508,086)

Net change in unrealized gains (losses) on investments 14,710,267

Net cash provided by operating activities 23,776,657

Cash flows from financing activities:

Decrease in amount due to custodian for overdraft (14,245,326)

Cash distributions paid (8,293,194)

Net cash used in financing activities (22,538,520)

Net increase in cash 1,238,137

Cash (including foreign currency):

Beginning of period \$ 0

End of period \$ 1,238,137

Supplemental cash disclosure

Cash paid for interest \$ 537,756

Supplemental non-cash financing disclosure

Reinvestment of dividends \$ 32,862

The accompanying notes are an integral part of these financial statements.

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Financial highlights

Wells Fargo Utilities and High Income Fund 27

(For a share outstanding throughout each period)

	Year ended August 31				
	2018	2017	2016	2015	2014
Net asset value, beginning of period	\$13.48	\$12.75	\$12.44	\$13.83	\$12.24
Net investment income	0.85	0.88	0.86	0.91	0.97 ¹
Net realized and unrealized gains (losses) on investments	(1.00)	0.75	0.35	(1.40)	1.52
Total from investment operations	(0.15)	1.63	1.21	(0.49)	2.49
Distributions to shareholders from					
Net investment income	(0.90)	(0.90)	(0.90)	(0.90)	(0.90)
Net asset value, end of period	\$12.43	\$13.48	\$12.75	\$12.44	\$13.83
Market value, end of period	\$12.65	\$13.34	\$12.93	\$10.89	\$12.87
Total return based on market value²	1.85%	10.80%	27.83%	(9.11)%	14.89%
Ratios to average net assets (annualized)					
Net expenses ³	1.42%	1.24%	1.19%	1.19%	1.11%
Net investment income	6.51%	6.91%	6.83%	6.88%	7.38%
Supplemental data					
Portfolio turnover rate	109%	73%	85%	61%	29%
Net assets, end of period (000s omitted)	\$114,992	\$124,693	\$117,800	\$114,848	\$127,678
Borrowings outstanding, end of period (000s omitted)	\$22,000	\$22,000	\$22,000	\$22,000	\$22,000
Asset coverage per \$1,000 of borrowing, end of period	\$6,227	\$6,668	\$6,355	\$6,220	\$6,804

¹ Calculated based upon average shares outstanding² Total return is calculated assuming a purchase of common stock on the first day and a sale on the last day of the period reported. Dividends and distributions, if any, are assumed for purposes of these calculations to be reinvested at prices obtained under the Fund's Automatic Dividend Reinvestment Plan. Total return does not reflect brokerage

commissions that a shareholder would pay on the purchase and sale of shares.

³ Ratios include interest expense relating to interest associated with borrowings and/or leverage transactions as follows:

Year ended August 31, 2018	0.46%
Year ended August 31, 2017	0.29%
Year ended August 31, 2016	0.21%
Year ended August 31, 2015	0.16%
Year ended August 31, 2014	0.19%

The accompanying notes are an integral part of these financial statements.

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28 Wells Fargo Utilities and High Income Fund

Notes to financial statements

1. ORGANIZATION

Wells Fargo Utilities and High Income Fund (the Fund) was organized as a statutory trust under the laws of the state of Delaware on February 4, 2004. Originally classified as non-diversified, the Fund was reclassified as a diversified closed-end management investment company in September 2014. As an investment company registered under the Investment Company Act of 1940, as amended (the 1940 Act), the Fund follows the accounting and reporting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946, *Financial Services - Investment Companies*.

2. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies, which are consistently followed in the preparation of the financial statements of the Fund, are in conformity with U.S. generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Securities valuation

All investments are valued each business day as of the close of regular trading on the New York Stock Exchange (generally 4 p.m. Eastern Time), although the Fund may deviate from this calculation time under unusual or unexpected circumstances.

Equity securities and options that are listed on a foreign or domestic exchange or market are valued at the official closing price or, if none, the last sales price. If no sale occurs on the principal exchange or market that day, a fair value price will be determined in accordance with the Fund's Valuation Procedures.

Non-listed options are valued at the evaluated price provided by an independent pricing service or, if a reliable price is not available, the quoted bid price from an independent broker-dealer.

The values of securities denominated in foreign currencies are translated into U.S. dollars at rates provided by an independent foreign currency pricing source at a time each business day specified by the Wells Fargo Asset Management Pricing Committee at Wells Fargo Funds Management, LLC (Funds Management).

Many securities markets and exchanges outside the U.S. close prior to the close of the New York Stock Exchange and therefore may not fully reflect trading or events that occur after the close of the principal exchange in which the foreign securities are traded, but before the close of the New York Stock Exchange. If such trading or events are expected to materially affect the value of such securities, then fair value pricing procedures approved by the Board of Trustees of the Fund are applied. These procedures take into account multiple factors including movements in U.S. securities markets after foreign exchanges close. Foreign securities that are fair valued under these procedures are categorized as Level 2 and the application of these procedures may result in transfers between Level 1 and Level 2. Depending on market activity, such fair valuations may be frequent. Such fair value pricing may result in net asset values that are higher or lower than net asset values based on the last reported sales price or latest quoted bid price. On August 31, 2018, such fair value pricing was not used in pricing foreign securities.

Debt securities are valued at the evaluated bid price provided by an independent pricing service or, if a reliable price is not available, the quoted bid price from an independent broker-dealer.

Investments in registered open-end investment companies are valued at net asset value.

Investments which are not valued using any of the methods discussed above are valued at their fair value, as determined in good faith by the Board of Trustees. The Board of Trustees has established a Valuation Committee comprised of the Trustees and has delegated to it the authority to take any actions regarding the valuation of portfolio securities that the Valuation Committee deems necessary or appropriate, including determining the fair value of portfolio securities, unless the determination has been delegated to the Wells Fargo Asset Management Pricing Committee. The Board of Trustees retains the authority to make or ratify any valuation decisions or approve any changes to the Valuation Procedures as it deems appropriate. On a quarterly basis, the Board of Trustees receives reports on any valuation actions taken by the Valuation Committee or the Wells Fargo Asset Management Pricing Committee which may include items for ratification.

Valuations of fair valued securities are compared to the next actual sales price when available, or other appropriate market values, to assess the continued appropriateness of the fair valuation methodologies used. These securities are fair valued on a day-to-day basis, taking into consideration changes to appropriate market information and any significant changes to the inputs considered in the valuation process until there is a readily available price provided on an exchange

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or by an independent pricing service. Valuations received from an independent pricing service or independent broker-dealer quotes are periodically validated by comparisons to most recent trades and valuations provided by other independent pricing services in addition to the review of prices by the adviser and/or subadviser. Unobservable inputs used in determining fair valuations are identified based on the type of security, taking into consideration factors utilized by market participants in valuing the investment, knowledge about the issuer and the current market environment.

Foreign currency translation

The accounting records of the Fund are maintained in U.S. dollars. The values of other assets and liabilities denominated in foreign currencies are translated into U.S. dollars at rates provided by an independent foreign currency pricing source at a time each business day specified by the Wells Fargo Asset Management Pricing Committee. Purchases and sales of securities, and income and expenses are converted at the rate of exchange on the respective dates of such transactions. Net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded and the U.S. dollar equivalent of the amounts actually paid or received. Net unrealized foreign exchange gains and losses arise from changes in the fair value of assets and liabilities other than investments in securities resulting from changes in exchange rates. The changes in net assets arising from changes in exchange rates of securities and the changes in net assets resulting from changes in market prices of securities are not separately presented. Such changes are included in net realized and unrealized gains or losses from investments.

When-issued transactions

The Fund may purchase securities on a forward commitment or when-issued basis. The Fund records a when-issued transaction on the trade date and will segregate assets in an amount at least equal in value to the Fund's commitment to purchase when-issued securities. Securities purchased on a when-issued basis are marked-to-market daily and the Fund begins earning interest on the settlement date. Losses may arise due to changes in the market value of the underlying securities or if the counterparty does not perform under the contract.

Loans

The Fund may invest in direct debt instruments which are interests in amounts owed to lenders by corporate or other borrowers. The loans pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. Investments in loans may be in the form of participations in loans or assignments of all or a portion of loans from third parties. When the Fund purchases participations, it generally has no rights to enforce compliance with terms of the loan agreement with the borrower. As a result, the Fund assumes the credit risk of both the borrower and the lender that is selling the participation. When the Fund purchases assignments from lenders, it acquires direct rights against the borrower on the loan and may enforce compliance by the borrower with the terms of the loan agreement. Loans may include fully funded term loans or unfunded loan commitments, which are contractual obligations for future funding.

Options

The Fund is subject to equity price risk in the normal course of pursuing its investment objectives. The Fund may write covered call options or secured put options on individual securities and/or indexes. When the Fund writes an option, an amount equal to the premium received is recorded as a liability and is subsequently adjusted to the current market value of the written option. Premiums received from written options that expire unexercised are recognized as realized gains on the expiration date. For exercised options, the difference between the premium received and the amount paid on effecting a closing purchase transaction, including brokerage commissions, is treated as a realized gain or loss. If a call option is exercised, the premium is added to the proceeds from the sale of the underlying security in calculating the realized gain or loss on the sale. If a put option is exercised, the premium reduces the cost of the security purchased. The Fund, as a writer of an option, bears the market risk of an unfavorable change in the price of the security and/or index underlying the written option.

The Fund may also purchase call or put options. Premiums paid are included in the Statement of Assets and Liabilities as investments, the values of which are subsequently adjusted based on the current market values of the options. Premiums paid for purchased options that expire are recognized as realized losses on the expiration date. Premiums paid for purchased options that are exercised or closed are added to the amount paid or offset against the proceeds received for the underlying security to determine the realized gain or loss. The risk of loss associated with purchased options is limited to the premium paid.

Options traded on an exchange are regulated and terms of the options are standardized. Purchased options traded over-the-counter expose the Fund to counterparty risk in the event the counterparty does not perform. This risk can be mitigated by having a master netting arrangement between the Fund and the counterparty and by having the counterparty post collateral to cover the Fund's exposure to the counterparty.

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Security transactions and income recognition**

Notes to financial statements

Securities transactions are recorded on a trade date basis. Realized gains or losses are recorded on the basis of identified cost.

Dividend income is recognized on the ex-dividend date, except for certain dividends from foreign securities, which are recorded as soon as the custodian verifies the ex-dividend date. Dividend income from foreign securities is recorded net of foreign taxes withheld where recovery of such taxes is not assured.

Interest income is accrued daily and bond discounts are accreted and premiums are amortized daily. To the extent debt obligations are placed on non-accrual status, any related interest income may be reduced by writing off interest receivables when the collection of all or a portion of interest has been determined to be doubtful based on consistently applied procedures and the fair value has decreased. If the issuer subsequently resumes interest payments or when the collectability of interest is reasonably assured, the debt obligation is removed from non-accrual status.

Distributions to shareholders

Distributions to shareholders are recorded on the ex-dividend date and paid from net investment income monthly and any net realized gains are paid at least annually. Such distributions are determined in accordance with income tax regulations and may differ from U.S. generally accepted accounting principles. Dividend sources are estimated at the time of declaration. The tax character of distributions is determined as of the Fund's fiscal year end. Therefore, a portion of the Fund's distributions made prior to the Fund's fiscal year end may be categorized as a tax return of capital at year end.

Federal and other taxes

The Fund intends to continue to qualify as a regulated investment company by distributing substantially all of its investment company taxable income and any net realized capital gains (after reduction for capital loss carryforwards) sufficient to relieve it from all, or substantially all, federal income taxes. Accordingly, no provision for federal income taxes was required.

The Fund's income and federal excise tax returns and all financial records supporting those returns for the prior three fiscal years are subject to examination by the federal and Delaware revenue authorities. Management has analyzed the Fund's tax positions taken on federal, state, and foreign tax returns for all open tax years and does not believe that there are any uncertain tax positions that require recognition of a tax liability.

As of August 31, 2018, the aggregate cost of all investments for federal income tax purposes was \$128,661,659 and the unrealized gains (losses) consisted of:

Gross unrealized gains	\$ 11,114,550
Gross unrealized losses	(4,615,412)
Net unrealized gains	\$ 6,499,138

Reclassifications are made to the Fund's capital accounts for permanent tax differences to reflect income and gains available for distribution (or available capital loss carryforwards) under federal income tax regulations. U.S. generally accepted accounting principles require that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on net assets or net asset values per share. The primary permanent differences causing such reclassifications are due to bond premiums, expiration of capital loss carryforwards, and foreign currency transactions. At August 31, 2018, as a result of permanent book-to-tax differences, the following reclassification adjustments were made on the Statement of Assets and Liabilities:

	Overdistributed net	Accumulated net
Paid-in capital	investment income	realized losses
		on investments
\$(19,606,358)	\$5,069	\$19,601,289

As of August 31, 2018, the Fund had current year deferred post-October capital losses consisting of \$5,394,050 in short-term losses which will be recognized on the first day of the following fiscal year.

3. FAIR VALUATION MEASUREMENTS

Fair value measurements of investments are determined within a framework that has established a fair value hierarchy based upon the various data inputs utilized in determining the value of the Fund's investments. The three-level hierarchy

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gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The Fund's investments are classified within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. The inputs are summarized into three broad levels as follows:

Level 1 quoted prices in active markets for identical securities

Level 2 other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

The inputs or methodologies used for valuing investments in securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used in valuing the Fund's assets and liabilities as of August 31, 2018:

	Quoted prices (Level 1)	Other significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets				
Investments in:				
Common stocks				
<i>Consumer discretionary</i>	\$ 3,747,736	\$ 0	\$ 0	\$ 3,747,736
<i>Telecommunication services</i>	3,424,867	0	0	3,424,867
<i>Utilities</i>	50,177,753	0	0	50,177,753
Corporate bonds and notes	0	34,326,370	0	34,326,370
Loans	0	1,349,912	200,060	1,549,972
Preferred stocks				
<i>Energy</i>	262,500	0	0	262,500
<i>Telecommunication Services</i>	1,889,250	0	0	1,889,250
<i>Utilities</i>	15,405,985	3,908,180	0	19,314,165
Rights				
<i>Utilities</i>	0	16,305	0	16,305
Yankee corporate bonds and notes	0	3,568,761	0	3,568,761

Short-term investments

<i>Investment companies</i>	16,883,118	0	0	16,883,118
Total assets	\$ 91,791,209	\$ 43,169,528	\$ 200,060	\$ 135,160,797

The Fund recognizes transfers between levels within the fair value hierarchy at the end of the reporting period. At August 31, 2018, the Fund did not have any transfers into/out of Level 1, Level 2, or Level 3.

4. TRANSACTIONS WITH AFFILIATES AND OTHER EXPENSES**Advisory fee**

Funds Management, an indirect wholly owned subsidiary of Wells Fargo & Company (Wells Fargo) is the adviser to the Fund and is entitled to receive a fee at an annual rate of 0.60% of the Fund's average daily total assets. Total assets consist of net assets of the Fund plus borrowings or other leverage for investment purposes to the extent excluded in calculating net assets.

Funds Management has retained the services of certain investment subadvisers to provide daily portfolio management to the Fund. The fees for subadvisory services are borne by Funds Management. Wells Capital Management Incorporated (an affiliate of Funds Management and an indirect wholly owned subsidiary of Wells Fargo) and Crow Point Partners, LLC (which is not an affiliate of Fund Management) are each investment subadvisers to the Fund and are each entitled to receive a fee from Funds Management at an annual rate of 0.20% of the Fund's average daily total assets.

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Administration fee**

Notes to financial statements

Funds Management also serves as the administrator to the Fund, providing the Fund with a wide range of administrative services necessary to the operation of the Fund. Funds Management is entitled to receive an annual administration fee from the Fund equal to 0.05% of the Fund's average daily total assets.

Interfund transactions

The Fund may purchase or sell portfolio investment securities to certain other Wells Fargo affiliates pursuant to Rule 17a-7 under the 1940 Act and under procedures adopted by the Board of Trustees. The procedures have been designed to ensure that these interfund transactions, which do not incur broker commissions, are effected at current market prices. Pursuant to these procedures, the Fund had \$4,449,853 and \$5,316,910 in interfund purchases and sales, respectively, during the year ended August 31, 2018.

5. CAPITAL SHARE TRANSACTIONS

The Fund has authorized an unlimited number of shares with no par value. For the years ended August 31, 2018 and August 31, 2017, the Fund issued 2,581 and 9,051 shares, respectively, under its Automatic Dividend Reinvestment Plan. During the year ended August 31, 2018, the Fund did not repurchase any of its shares under the open-market share repurchase program.

6. BORROWINGS

The Fund has borrowed \$22,000,000 through a revolving credit facility administered by a major financial institution (the Facility). The Facility has a commitment amount of \$25,000,000 with no specific contract expiration date but the Facility can be terminated upon 180 days' notice. The Fund is charged interest at London Interbank Offered Rate (LIBOR) plus 0.70% and a commitment fee of 0.30% of the average daily unutilized amount of the commitment which may be waived if the amount drawn on the Facility is over 75% of the committed amount. The financial institution holds a security interest in all the assets of the Fund as collateral for the borrowing.

During the year ended August 31, 2018, the Fund had average borrowings outstanding of \$22,000,000 at an average interest rate of 2.49% and paid interest in the amount of \$552,279, which represents 0.46% of its average daily net assets. Based on the nature of the terms of the Facility and comparative market rates, the carrying amount of the borrowings at August 31, 2018 approximates its fair value. If measured at fair value, the borrowings would be categorized as a Level 2 under the fair value hierarchy.

7. INVESTMENT PORTFOLIO TRANSACTIONS

Purchases and sales of investments, excluding U.S. government obligations (if any) and short-term securities, for the year ended August 31, 2018 were \$140,862,083 and \$138,748,744, respectively.

8. DISTRIBUTIONS TO SHAREHOLDERS

The tax character of distributions paid was \$8,326,250 and \$8,320,654 of ordinary income for the years ended August 31, 2018 and August 31, 2017, respectively.

As of August 31, 2018, the components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	Unrealized gains	Post-October capital losses deferred
\$96,643	\$6,502,372	\$(5,394,050)

9. CONCENTRATION RISK

The Fund invests a substantial portion of its assets in utilities companies and, therefore, would be more affected by changes in that industry than would be a fund whose investments are not heavily weighted in the industry.

10. INDEMNIFICATION

Under the Fund's organizational documents, the officers and Trustees have been granted certain indemnification rights against certain liabilities that may arise out of performance of their duties to the Fund. Additionally, in the normal course of business, the Fund may enter into contracts with service providers that contain a variety of indemnification clauses. The Fund's maximum exposure under these arrangements is dependent on future claims that may be made against the Fund and, therefore, cannot be estimated.

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11. NEW ACCOUNTING PRONOUNCEMENTS AND REGULATORY CHANGES

On August 17, 2018, the Securities and Exchange Commission (SEC) adopted *Disclosure Update and Simplification*, which amends certain disclosure requirements. The amendments are effective for filings subsequent to November 5, 2018. Management expects these amendments will impact the classification of disclosures in the financial statements.

In August 2018, FASB issued Accounting Standards Update (ASU) No. 2018-13, Fair Value Measurement (Topic 820) *Disclosure Framework Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 updates the disclosure requirements for fair value measurements by modifying or removing certain disclosures and adding certain new disclosures. The amendments are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. Early adoption is permitted. Management is currently evaluating the potential impact of this new guidance to the financial statements.

In March 2017, FASB issued ASU No. 2017-08, *Premium Amortization on Purchased Callable Debt Securities*. ASU 2017-08 shortens the amortization period for certain callable debt securities held at a premium. The amendments require the premium to be amortized to the earliest call date. The amendments do not require an accounting change for securities held at a discount; the discount continues to be amortized to maturity. ASU 2017-08 is effective for fiscal years beginning after December 15, 2018 and for interim periods within those fiscal years. Management is currently evaluating the potential impact of this new guidance to the financial statements.

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash (a Consensus of the Emerging Issues Task Force)*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts described as restricted cash and restricted cash equivalents should be included with the cash and cash equivalents in reconciling the beginning and end of period total amounts shown on the statement of cash flows. Management has evaluated the impact of adopting this ASU and determined that it will not result in any material changes to presentation of amounts in the financial statements. This ASU is effective for interim and annual reporting periods beginning after December 15, 2017.

In August 2016, FASB issued ASU No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments (a Consensus of the Emerging Issues Task Force)*, which is intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. Management has evaluated the impact of adopting this ASU and determined that it will not result in any material changes to presentation of amounts in the financial statements. This ASU is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those financial years, with early adoption permitted.

12. SUBSEQUENT DISTRIBUTIONS

The Fund declared the following distributions to shareholders:

Declaration date	Record date	Payable date	Per share amount
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August 15, 2018	September 17, 2018	October 1, 2018	\$0.075
September 28, 2018	October 15, 2018	November 1, 2018	0.075
October 26, 2018	November 14, 2018	December 3, 2018	0.075

These distributions are not reflected in the accompanying financial statements.

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34 Wells Fargo Utilities and High Income Fund Report of independent registered public accounting firm
**BOARD OF TRUSTEES AND SHAREHOLDERS OF WELLS FARGO UTILITIES AND HIGH INCOME
FUND:**

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities of Wells Fargo Utilities and High Income Fund (the Fund), including the portfolio of investments, as of August 31, 2018, the related statements of operations and cash flows for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended and the related notes (collectively, the financial statements), and the financial highlights for each of the years in the five-year period then ended. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Fund as of August 31, 2018, the results of its operations and its cash flows for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Such procedures also included confirmation of securities owned as of August 31, 2018, by correspondence with the custodian and brokers, or by other appropriate auditing procedures. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. We believe that our audits provide a reasonable basis for our opinion.

We have not been able to determine the specific year that we began serving as the auditor of one or more Wells Fargo Funds investment companies, however we are aware that we have served as the auditor of one or more Wells Fargo Funds investment companies since at least 1955.

Boston, Massachusetts

October 26, 2018

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TAX INFORMATION

For corporate shareholders, pursuant to Section 854 of the Internal Revenue Code, 28.61% of ordinary income dividends qualify for the corporate dividends-received deduction for the fiscal year ended August 31, 2018.

Pursuant to Section 854 of the Internal Revenue Code, \$3,530,178 of income dividends paid during the fiscal year ended August 31, 2018 has been designated as qualified dividend income (QDI).

For the fiscal year ended August 31, 2018, \$2,035,153 has been designated as interest-related dividends for nonresident alien shareholders pursuant to Section 871 of the Internal Revenue Code.

PROXY VOTING INFORMATION

A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities is available, upon request, by calling **1-800-222-8222**, visiting our website at **wellsfargofunds.com**, or visiting the SEC website at sec.gov. Information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available on the Fund's website at **wellsfargofunds.com** or by visiting the SEC website at sec.gov.

PORTFOLIO HOLDINGS INFORMATION

The complete portfolio holdings for the Fund are publicly available monthly on the Fund's website (**wellsfargofunds.com**), on a one-month delayed basis. The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q, which is available by visiting the SEC website at sec.gov. In addition, the Fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC, and at regional offices in New York City, at 233 Broadway, and in Chicago, at 175 West Jackson Boulevard, Suite 900. Information about the Public Reference Room may be obtained by calling 1-800-SEC-0330.

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BOARD OF TRUSTEES AND OFFICERS**

Other information (unaudited)

The following table provides basic information about the Board of Trustees (the Trustees) and Officers of the Fund. Each of the Trustees and Officers¹ listed below acts in identical capacities for each fund in the Wells Fargo family of funds, which consists of 154 mutual funds comprising the Wells Fargo Funds Trust, Wells Fargo Variable Trust, Wells Fargo Master Trust, and four closed-end funds, including the Fund (collectively the Fund Complex). The mailing address of each Trustee and Officer is 525 Market Street, 12th Floor, San Francisco, CA 94105. The Board of Trustees is classified into three classes of which one is elected annually. Each Trustee serves a three-year term concurrent with the class from which the Trustee is elected. Each Officer serves an indefinite term.

Independent Trustees

Name and year of birth	Position held and length of service	Principal occupations during past five years or longer	Current other public company or investment company directorships
Class I - Non-Interested Trustees to serve until 2020 Annual Meeting of Shareholders			
Isaiah Harris, Jr. (Born 1952)	Trustee, since 2010	Retired. Chairman of the Board of CIGNA Corporation since 2009, and Director since 2005. From 2003 to 2011, Director of Deluxe Corporation. Prior thereto, President and CEO of BellSouth Advertising and Publishing Corp. from 2005 to 2007, President and CEO of BellSouth Enterprises from 2004 to 2005 and President of BellSouth Consumer Services from 2000 to 2003. Emeritus member of the Iowa State University Foundation Board of Governors. Emeritus Member of the Advisory Board of Iowa State University School of Business. Advisory Board Member, Palm Harbor Academy (private school). Advisory Board Member, Child Evangelism Fellowship (non-profit). Mr. Harris is a certified public accountant (inactive status).	CIGNA Corporation
David F. Larcker (Born 1950)	Trustee, since 2010	James Irvin Miller Professor of Accounting at the Graduate School of Business, Stanford University, Director of the Corporate Governance Research Initiative and Senior Faculty of The Rock Center for Corporate Governance since 2006. From 2005 to 2008, Professor of Accounting at the Graduate School of Business, Stanford University. Prior thereto, Ernst & Young Professor of Accounting at The Wharton School, University of Pennsylvania from 1985 to 2005.	N/A
			N/A

<p>Olivia S. Mitchell (Born 1953)</p>	<p>Trustee, since 2010; Governance Committee Chairman, since 2018</p>	<p>International Foundation of Employee Benefit Plans Professor, Wharton School of the University of Pennsylvania since 1993. Director of Wharton's Pension Research Council and Boettner Center on Pensions & Retirement Research, and Research Associate at the National Bureau of Economic Research. Previously, Cornell University Professor from 1978 to 1993.</p>
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Class II - Non-Interested Trustees to serve until 2018 Annual Meeting of Shareholders

<p>William R. Ebsworth (Born 1957)</p>	<p>Trustee, since 2015</p>	<p>Retired. From 1984 to 2013, equities analyst, portfolio manager, research director and chief investment officer at Fidelity Management and Research Company in Boston, Tokyo, and Hong Kong, and retired in 2013 as Chief Investment Officer of Fidelity Strategic Advisers, Inc. where he led a team of investment professionals managing client assets. Prior thereto, Board member of Hong Kong Securities Clearing Co., Hong Kong Options Clearing Corp., the Thailand International Fund, Ltd., Fidelity Investments Life Insurance Company, and Empire Fidelity Investments Life Insurance Company. Board member of the Vincent Memorial Hospital Endowment (non-profit organization), where he serves on the Investment Committee and as a Chair of the Audit Committee. Mr. Ebsworth is a CFA® charterholder.</p>	<p>N/A</p>
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Other information (unaudited)			Wells Fargo Utilities and High Income Fund 37
Name and year of birth	Position held and length of service	Principal occupations during past five years or longer	Current other public company or investment company directorships
Jane A. Freeman (Born 1953)	Trustee, since 2015; Chair Liaison, since 2018	Retired. From 2012 to 2014 and 1999 to 2008, Chief Financial Officer of Scientific Learning Corporation. From 2008 to 2012, Ms. Freeman provided consulting services related to strategic business projects. Prior to 1999, Portfolio Manager at Rockefeller & Co. and Scudder, Stevens & Clark. Board member of the Harding Loevner Funds from 1996 to 2014, serving as both Lead Independent Director and chair of the Audit Committee. Board member of the Russell Exchange Traded Funds Trust from 2011 to 2012 and the chair of the Audit Committee. Ms. Freeman is a Board Member of The Ruth Bancroft Garden (non-profit organization). She is also an inactive Chartered Financial Analyst.	N/A
Judith M. Johnson (Born 1949)	Trustee, since 2010; Audit Committee Chairman, since 2010	Retired. Prior thereto, Chief Executive Officer and Chief Investment Officer of Minneapolis Employees Retirement Fund from 1996 to 2008. Ms. Johnson is an attorney, certified public accountant and a certified managerial accountant.	N/A
Class III - Non-Interested Trustees to serve until 2019 Annual Meeting of Shareholders			
Timothy J. Penny (Born 1951)	Trustee, since 2010; Chairman, since 2018; Vice Chairman, from 2017 to 2018	President and Chief Executive Officer of Southern Minnesota Initiative Foundation, a non-profit organization, since 2007. Member of the Board of Trustees of NorthStar Education Finance, Inc., a non-profit organization, since 2007.	N/A
James G. Polisson (Born 1959)	Trustee, since 2018; Advisory Board Member, from 2017 to 2018	Retired. Chief Marketing Officer, Source (ETF) UK Services, Ltd, from 2015 to 2017. From 2012 to 2015, Principal of The Polisson Group, LLC, a management consulting, corporate advisory and principal investing company. Chief Executive Officer and Managing Director at Russell Investments, Global Exchange Traded Funds from 2010 to 2012. Managing Director of Barclays Global Investors from 1998 to 2010 and Global Chief Marketing Officer for iShares and Barclays Global Investors from 2000 to 2010. Trustee of the San Francisco Mechanics Institute, a non-profit organization, from 2013 to 2015. Board member of the Russell Exchange Traded Fund Trust from 2011 to 2012. Director of Barclays Global Investors Holdings Deutschland GmbH from 2006 to 2009. Mr. Polisson is an attorney and has a retired status with the	N/A

Michael S. Scofield (Born 1943)	Trustee, since 2004	Massachusetts and District of Columbia Bar Associations. Served on the Investment Company Institute's Board of Governors and Executive Committee from 2008-2011 as well the Governing Council of the Independent Directors Council from 2006-2011 and the Independent Directors Council Executive Committee from 2008-2011. Trustee of the Evergreen Fund complex (and its predecessors) from 1984 to 2010. Chairman of the Evergreen Funds from 2000-2010. Former Trustee of the Mentor Funds. Retired Attorney, Law Offices of Michael S. Scofield.	N/A
Pamela Wheelock (Born 1959)	Trustee, since 2018; Advisory Board Member, from 2017 to 2018	Chief Operating Officer, Twin Cities Habitat for Humanity, since January, 2017. Vice President of University Services, University of Minnesota from 2012 to 2017. Prior thereto, on the Board of Directors, Governance Committee and Finance Committee for the Minnesota Philanthropy Partners (Saint Paul Foundation) from 2012 to 2018, Interim President and Chief Executive Officer of Blue Cross Blue Shield of Minnesota from 2010 to 2011, Chairman of the Board from 2009 to 2011 and Board Director from 2003 to 2015. Vice President, Leadership and Community Engagement, Bush Foundation, Saint Paul, Minnesota (a private foundation) from 2009 to 2011. Executive Vice President and Chief Financial Officer, Minnesota Sports and Entertainment from 2004 to 2009 and Senior Vice President from 2002 to 2004. Commissioner of Finance, State of Minnesota, from 1999 to 2002. Currently the Board Chair of the Minnesota Wild Foundation since 2010.	N/A

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Officers**

Other information (unaudited)

Name and year of birth	Position held and length of service	Principal occupations during past five years or longer
Andrew Owen (Born 1960)	President, since 2017	Executive Vice President of Wells Fargo & Company and Head of Affiliated Managers, Wells Fargo Asset Management, since 2014. In addition, Mr. Owen is currently President, Chief Executive Officer and Director of Wells Fargo Funds Management, LLC since 2017. Prior thereto, Executive Vice President responsible for marketing, investments and product development for Wells Fargo Funds Management, LLC, from 2009 to 2014.
Nancy Wiser ¹ (Born 1967)	Treasurer, since 2012	Executive Vice President of Wells Fargo Funds Management, LLC since 2011. Chief Operating Officer and Chief Compliance Officer at LightBox Capital Management LLC, from 2008 to 2011.
Alexander Kymn ² (Born 1973)	Secretary, since 2018; Chief Legal Officer, since 2018	Senior Company Counsel of Wells Fargo Bank, N.A. since 2018 (previously Senior Counsel from 2007 to 2018). Vice President of Wells Fargo Funds Management, LLC from 2008 to 2014.
Michael H. Whitaker (Born 1967)	Chief Compliance Officer, since 2016	Senior Vice President and Chief Compliance Officer since 2016. Senior Vice President and Chief Compliance Officer for Fidelity Investments from 2007 to 2016.
David Berardi (Born 1975)	Assistant Treasurer, since 2009	Vice President of Wells Fargo Funds Management, LLC since 2009. Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010. Manager of Fund Reporting and Control for Evergreen Investment Management Company, LLC from 2004 to 2010.
Jeremy DePalma ¹ (Born 1974)	Assistant Treasurer, since 2005	Senior Vice President of Wells Fargo Funds Management, LLC since 2009. Senior Vice President of Evergreen Investment Management Company, LLC from 2008 to 2010 and head of the Fund Reporting and Control Team within Fund Administration from 2005 to 2010.

¹ Nancy Wiser acts as Treasurer of 77 funds in the Fund Complex. Jeremy DePalma acts as Treasurer of 77 funds and Assistant Treasurer of 77 funds in the Fund Complex.

² Alexander Kymn became the Secretary and Chief Legal Officer effective April 17, 2018.

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Other information (unaudited) Wells Fargo Utilities and High Income Fund 39
BOARD CONSIDERATION OF INVESTMENT ADVISORY AND SUB-ADVISORY AGREEMENTS:

Wells Fargo Utilities and High Income Fund

Under the Investment Company Act of 1940 (the 1940 Act), the Board of Trustees (the Board) of Wells Fargo Utilities and High Income Fund (the Fund) must determine whether to approve the continuation of the Fund s investment advisory and sub-advisory agreements. In this regard, at an in-person meeting held on May 22-23, 2018 (the Meeting), the Board, all the members of which have no direct or indirect interest in the investment advisory and sub-advisory agreements and are not interested persons of the Fund, as defined in the 1940 Act (the Independent Trustees), reviewed and approved: (i) an investment advisory agreement with Wells Fargo Funds Management, LLC (Funds Management), (ii) an investment sub-advisory agreement with Wells Capital Management Incorporated (WellsCap), an affiliate of Funds Management; and (iii) an investment sub-advisory agreement with Crow Point Partners, LLC (Crow Point). The investment advisory agreement with Funds Management and the investment sub-advisory agreements with WellsCap and Crow Point (each, a Sub-Adviser and together, the Sub-Advisers) are collectively referred to as the Advisory Agreements.

At the Meeting, the Board considered the factors and reached the conclusions described below relating to the selection of Funds Management and the Sub-Advisers and the continuation of the Advisory Agreements. Prior to the Meeting, including at an in-person meeting in April 2018, the Trustees conferred extensively among themselves and with representatives of Funds Management about these matters. Also, the Board has adopted a team-based approach, with each team consisting of a sub-set of Trustees, to assist the full Board in the discharge of its duties in reviewing investment performance and other matters throughout the year. The Independent Trustees were assisted in their evaluation of the Advisory Agreements by independent legal counsel, from whom they received separate legal advice and with whom they met separately.

In providing information to the Board, Funds Management and the Sub-Advisers were guided by a detailed set of requests for information submitted to them by independent legal counsel on behalf of the Independent Trustees at the start of the Board s annual contract renewal process earlier in 2018. In considering and approving the Advisory Agreements, the Trustees considered the information they believed relevant, including but not limited to the information discussed below. The Board considered not only the specific information presented in connection with the Meeting, but also the knowledge gained over time through interaction with Funds Management and the Sub-Advisers about various topics. In this regard, the Board reviewed reports of Funds Management at each of its quarterly meetings, which included, among other things, portfolio reviews and investment performance reports. In addition, the Board and the teams mentioned above confer with portfolio managers at various times throughout the year. The Board did not identify any particular information or consideration that was all-important or controlling, and each individual Trustee may have attributed different weights to various factors.

After its deliberations, the Board unanimously approved the continuation of the Advisory Agreements and determined that the compensation payable to Funds Management and the Sub-Advisers is reasonable. The Board considered the continuation of the Advisory Agreements for the Fund as part of its consideration of agreements for funds across the complex, but its approvals were made on a fund-by-fund basis. The following summarizes a number of important, but not necessarily all, factors considered by the Board in support of its approvals.

Nature, extent and quality of services

The Board received and considered various information regarding the nature, extent and quality of services provided to the Fund by Funds Management and the Sub-Advisers under the Advisory Agreements. This information included, among other things, a summary of the background and experience of senior management of Wells Fargo Asset Management (WFAM), of which Funds Management and WellsCap are a part, a summary of investments made in the business of WFAM, a summary of certain organizational and personnel changes involving Funds Management and WellsCap, and a description of Funds Management s and the Sub-Advisers business continuity planning programs and of their approaches to data privacy and cybersecurity. The Board considered the additional services provided to the Fund due to the fact that the Fund is a closed-end fund, including, but not limited to, monitoring and evaluating the Fund s discount. The Board also considered the qualifications, background, tenure and responsibilities of each of the portfolio managers primarily responsible for the day-to-day portfolio management of the Fund.

The Board evaluated the ability of Funds Management and the Sub-Advisers to attract and retain qualified investment professionals, including research, advisory and supervisory personnel. The Board further considered the compliance programs and compliance records of Funds Management and the Sub-Advisers. In addition, the Board took into account the full range of services provided to the Fund by Funds Management and its affiliates.

Table of Contents**40 Wells Fargo Utilities and High Income Fund
Fund investment performance and expenses**

Other information (unaudited)

The Board considered the investment performance results for the Fund over various time periods ended December 31, 2017. The Board considered these results in comparison to the investment performance of funds in a custom peer group that included funds selected by Broadridge Inc. (Broadridge) and additional funds that were determined by Funds Management to be similar to the Fund (the Custom Peer Group), and in comparison to the Fund's benchmark index and to other comparative data. The Board received a description of the methodology used by Broadridge and Funds Management to select the funds in the Custom Peer Group and discussed the limitations inherent in the use of other peer groups. The Board noted that the investment performance of the Fund was higher than the average investment performance of the Custom Peer Group for all periods under review except for the period since inception. The Board also noted that the investment performance of the Fund was lower than its benchmark, the ERH Blended Index, which is a proprietary index used by the Board to help it assess the Fund's relative performance, for all periods under review except the one-year period.

The Board also received and considered information regarding the Fund's net operating expense ratio and its various components, including actual management fees, and custodian and other non-management fees. The Board considered this ratio in comparison to the median ratio of funds in the Custom Peer Group and in comparison to the median ratio of funds in an expense group that was determined by Broadridge to be similar to the Fund (the Broadridge Group , and together with the Custom Peer Group, the Expense Groups). Broadridge is an independent provider of investment company data. The Board received a description of the methodology used by Broadridge and Funds Management to select the funds in the Expense Groups, and an explanation from Broadridge of how funds comprising Broadridge expense groups and their expense ratios may vary from year-to-year. Based on the Broadridge reports, the Board noted that the net operating expense ratio of the Fund was lower than the median net operating expense ratios of the Expense Groups.

The Board took into account the Fund's investment performance and expense information provided to it among the factors considered in deciding to re-approve the Advisory Agreements.

Investment advisory and sub-advisory fee rates

The Board reviewed and considered the contractual investment advisory fee rate that is payable by the Fund to Funds Management for investment advisory services (the Advisory Agreement Rate), both on a stand-alone basis and on a combined basis with the Fund's contractual administration fee rate (the Management Rate). The Board also reviewed and considered the contractual investment sub-advisory fee rates that are payable by Funds Management to each of the Sub-Advisers for investment sub-advisory services (the Sub-Advisory Agreement Rate).

Among other information reviewed by the Board was a comparison of the Management Rate of the Fund with those of other funds in the Expense Groups at a common asset level. The Board noted that the Management Rate of the Fund was lower than the average rates for both Expense Groups.

The Board also received and considered information about the portion of the total advisory fee that was retained by Funds Management after payment of the fee to the Sub-Advisers for sub-advisory services. In assessing the reasonableness of this amount, the Board received and evaluated information about the nature and extent of responsibilities retained and risks assumed by Funds Management and not delegated to or assumed by the Sub-Advisers, and about Funds Management's on-going oversight services. Given the affiliation between Funds

Management and WellsCap, the Board ascribed limited relevance to the allocation of the advisory fee between them. The Board also considered that the sub-advisory fees paid to Crow Point had been negotiated by Funds Management on an arm's-length basis.

Based on its consideration of the factors and information it deemed relevant, including those described here, the Board determined that the Advisory Agreement Rate and each Sub-Advisory Agreement Rate was reasonable.

Profitability

The Board received and considered information concerning the profitability of Funds Management, as well as the profitability of both WFAM and Wells Fargo & Co. (Wells Fargo) as a whole, from providing services to the Fund and the fund family as a whole. The Board noted that WellsCap's profitability information with respect to providing services to the Fund was subsumed in the WFAM and Wells Fargo profitability analysis. The Board did not consider profitability with respect to Crow Point, as the sub-advisory fees paid to Crow Point had been negotiated by Funds Management on an arm's-length basis.

Funds Management reported on the methodologies and estimates used in calculating profitability, including a description of the methodology used to allocate certain expenses and recent enhancements made to the methodology. Among other things, the Board noted that the levels of profitability reported on a fund-by-fund basis varied widely,

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Other information (unaudited) Wells Fargo Utilities and High Income Fund 41
depending on factors such as the size and type of fund. Based on its review, the Board did not deem the profits reported by Funds Management, WFAM or Wells Fargo from services provided to the Fund to be at a level that would prevent it from approving the continuation of the Advisory Agreements.

Economies of scale

The Board considered the extent to which Funds Management may experience economies of scale in the provision of management services, and the extent to which scale benefits, if any, would be shared with shareholders. The Board noted that, as is typical of closed-end funds, there are no breakpoints in the Management Rate. Although the Fund would not share in any potential economies of scale through contractual breakpoints, the Board noted that competitive management fee rates set at the outset without regard to breakpoints and fee waiver and expense reimbursement arrangements, as well as investments in the business to enhance services available to Fund shareholders, are means of sharing potential economies of scale with shareholders of the Fund. The Board concluded that the Fund's fee waiver and expense arrangements constituted a reasonable approach to sharing potential economies of scale with the Fund and its shareholders. The Board also noted that it would have opportunities to revisit the Management Rate as part of future contract reviews.

Other benefits to Funds Management and the Sub-Advisers

The Board received and considered information regarding potential "fall-out" or ancillary benefits received by Funds Management and its affiliates, including WellsCap, and Crow Point as a result of their relationships with the Fund. Ancillary benefits could include, among others, benefits directly attributable to other relationships with the Fund and benefits potentially derived from an increase in Funds Management's and the Sub-Advisers' business as a result of their relationships with the Fund. The Board also reviewed information about soft dollar credits earned and utilized by the Sub-Advisers and commissions earned by affiliated brokers from portfolio transactions.

Based on its consideration of the factors and information it deemed relevant, including those described here, the Board did not find that any ancillary benefits received by Funds Management and its affiliates, including WellsCap, or Crow Point were unreasonable.

Conclusion

At the Meeting, after considering the above-described factors and based on its deliberations and its evaluation of the information described above, the Board unanimously approved the continuation of the Advisory Agreements for an additional one-year period and determined that the compensation payable to Funds Management and the Sub-Advisers is reasonable.

Table of Contents**42 Wells Fargo Utilities and High Income Fund
AUTOMATIC DIVIDEND REINVESTMENT PLAN**

Automatic dividend reinvestment plan

All common shareholders are eligible to participate in the Automatic Dividend Reinvestment Plan (the Plan). Pursuant to the Plan, unless a common shareholder is ineligible or elects otherwise, all cash dividends and capital gains distributions are automatically reinvested by Computershare Trust Company, N.A., as agent for shareholders in administering the Plan (Plan Agent), in additional common shares of the Fund. Whenever the Fund declares an ordinary income dividend or a capital gain dividend (collectively referred to as dividends) payable either in shares or in cash, nonparticipants in the Plan will receive cash, and participants in the Plan will receive the equivalent in common shares. The shares are acquired by the Plan Agent for the participant s account, depending upon the circumstances described below, either (i) through receipt of additional unissued but authorized common shares from the Fund (newly issued common shares) or (ii) by purchase of outstanding common shares on the open-market (open-market purchases) on the NYSE Amex or elsewhere. If, on the payment date for any dividend or distribution, the net asset value per share of the common shares is equal to or less than the market price per common share plus estimated brokerage commissions (market premium), the Plan Agent will invest the amount of such dividend or distribution in newly issued shares on behalf of the participant. The number of newly issued common shares to be credited to the participant s account will be determined by dividing the dollar amount of the dividend by the net asset value per share on the date the shares are issued, provided that the maximum discount from the then current market price per share on the date of issuance may not exceed 5%. If on the dividend payment date the net asset value per share is greater than the market value (market discount), the Plan Agent will invest the dividend amount in shares acquired on behalf of the participant in open-market purchases. There will be no brokerage charges with respect to shares issued directly by the Fund as a result of dividends or capital gains distributions payable either in shares or in cash. However, each participant will pay a pro rata share of brokerage commissions incurred with respect to the Plan Agent s open-market purchases in connection with the reinvestment of dividends. The automatic reinvestment of dividends and distributions will not relieve participants of any federal, state or local income tax that may be payable (or required to be withheld) on such dividends. All correspondence concerning the Plan should be directed to the Plan Agent at P.O. Box 505000, Louisville, Kentucky 40233 or by calling 1-800-730-6001.

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Transfer Agent, Registrar, Shareholder Servicing

Agent & Dividend Disbursing Agent

Computershare Trust Company, N.A.

P.O. Box 505000

Louisville, Kentucky 40233

1-800-730-6001

Website: wellsfargofunds.com

Wells Fargo Funds Management, LLC, is a subsidiary of Wells Fargo & Company and is an affiliate of Wells Fargo & Company's broker/dealer subsidiaries. Certain material contained in this report may be considered marketing material and has been reviewed by Wells Fargo Funds Distributor, LLC, Member FINRA, an affiliate of Wells Fargo & Company. Neither Wells Fargo Funds Management nor Wells Fargo Funds Distributor has Fund customer accounts/assets, and neither provides investment advice/recommendations or acts as an investment advice fiduciary to any investor.

NOT FDIC INSURED NO BANK GUARANTEE MAY LOSE VALUE

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Table of Contents**ITEM 2. CODE OF ETHICS**

(a) As of the end of the period, covered by the report, Wells Fargo Utilities and High Income Fund has adopted a code of ethics that applies to its President and Treasurer. A copy of the code of ethics is filed as an exhibit to this Form N-CSR.

(c) During the period covered by this report, there were no amendments to the provisions of the code of ethics adopted in Item 2(a) above.

(d) During the period covered by this report, there were no implicit or explicit waivers to the provisions of the code of ethics adopted in Item 2(a) above.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Trustees of Wells Fargo Utilities and High Income Fund has determined that Judith Johnson is an audit committee financial expert, as defined in Item 3 of Form N-CSR. Mrs. Johnson is independent for purposes of Item 3 of Form N-CSR.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES

(a), (b), (c), (d) The following table presents aggregate fees billed in each of the last two fiscal years for services rendered

to the Registrant by the Registrant's principal accountant. These fees were billed to the registrant and were approved by

the Registrant's audit committee.

	Fiscal year ended August 31, 2018	Fiscal year ended August 31, 2017
Audit fees	\$ 51,484	\$ 51,484
Audit-related fees		
Tax fees ⁽¹⁾	4,245	4,080
All other fees		
	\$ 55,729	\$ 55,564

⁽¹⁾ Tax fees consist of fees for tax compliance, tax advice, tax planning and excise tax.

(e) The Chairman of the Audit Committees is authorized to pre-approve: (1) audit services for the Wells Fargo Utilities and High Income Fund; (2) non-audit tax or compliance consulting or training services provided to the Wells Fargo Utilities and High Income Fund by the independent auditors (Auditors) if the fees for any particular engagement are not anticipated to exceed \$50,000; and (3) non-audit tax or compliance consulting or training services provided by the Auditors to a Wells Fargo Utilities and High Income Fund's investment adviser and its controlling entities (where

pre-approval is required because the engagement relates directly to the operations and financial reporting of the Wells Fargo Utilities and High Income Fund) if the fee to the Auditors for any particular engagement is not anticipated to exceed \$50,000. For any such pre-approval sought from the Chairman, Management shall prepare a brief description of the proposed services. If the Chairman approves of such service, he or she shall sign the statement prepared by Management. Such written statement shall be presented to the full Committees at their next regularly scheduled meetings.

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(f) Not applicable

(g) Not applicable

(h) Not applicable

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS

Not applicable.

ITEM 6. INVESTMENTS

A Portfolio of Investments for Wells Fargo Utilities and High Income Fund is included as part of the report to shareholders filed under Item 1 of this Form.

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

PROXY VOTING POLICIES AND PROCEDURES

REVISED AS OF FEBRUARY 28, 2018

Scope of Policies and Procedures. These Policies and Procedures (Procedures) are used to determine how to vote proxies relating to portfolio securities held by the series of Wells Fargo Funds Trust, Wells Fargo Master Trust, Wells Fargo Variable Trust, Asset Allocation Trust, Wells Fargo Global Dividend Opportunity Fund, Wells Fargo Income Opportunities Fund, Wells Fargo Multi-Sector Income Fund, and Wells Fargo Utilities and High Income Fund (the Trusts) except for those series that exclusively hold non-voting securities (hereafter, all such series, and all such Trusts not having separate series, holding voting securities are referred to as the Funds).

Voting Philosophy. The Funds and Wells Fargo Funds Management, LLC (Funds Management), a registered investment adviser, have adopted these Procedures to ensure that proxies are voted in the best interests of Fund shareholders, without regard to any relationship that any affiliated person of the Fund (or an affiliated person of such affiliated person) may have with the issuer. Funds Management exercises its voting responsibility, as a fiduciary, with the goal of maximizing value to shareholders consistent with governing laws and the investment policies of each Fund. While securities are not purchased to exercise control or to seek to effect corporate change through share ownership, the Funds support sound corporate governance practices within companies in which they invest.

Board of Trustees. The Board of Trustees of each Trust (the Board) has delegated the responsibility for voting proxies relating to the Funds portfolio securities to Funds Management. The Board retains the authority to make or ratify any voting decisions or approve any changes to these Procedures as the Board deems appropriate. Funds Management will provide reports to the Board regarding voting matters when and as reasonably requested by the Board. The Board shall review these Procedures as often as it deems appropriate to consider whether any revisions are warranted. On an annual basis, the Board shall receive and review a report from Funds Management on the proxy voting process.

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Proxy Committee. The Funds Management Proxy Voting Committee (the Proxy Committee) shall be responsible for overseeing the proxy voting process to ensure its implementation in conformance with these Procedures. The Proxy Committee shall coordinate with Funds Management Risk and Compliance to monitor Institutional Shareholder Services (ISS), the proxy voting agent for Funds Management, to determine that ISS is accurately applying the Procedures as set forth herein. The Proxy Committee shall review the continuing appropriateness of the Procedures set forth herein, recommend revisions to the Board as necessary and provide an annual update to the Board on proxy voting activity.

Meetings: Committee Actions. The Proxy Committee shall convene or act through written consent, including through the use of electronic systems of record, as needed and when discretionary voting determinations need to be considered. The Proxy Committee shall have the authority to act by vote or written consent of a majority of the full Proxy Committee members, or a designated working group thereof, available at that time. The Proxy Committee shall also meet at least annually to review the Procedures and shall coordinate with Funds Management Risk and Compliance to review the performance of ISS in exercising its proxy voting responsibilities.

Voting Discretion. In all cases, the Proxy Committee will exercise its voting discretion in accordance with the voting philosophy of the Funds. In cases where a proxy item is forwarded by ISS to the Proxy Committee, the Proxy Committee may be assisted in its voting decision through receipt of: (i) independent research and voting recommendations provided by ISS or other independent sources; (ii) input from the investment sub-adviser responsible for purchasing the security; and (iii) information provided by company management and shareholder groups.

Membership. The voting members of the Proxy Committee are identified in Appendix B. Changes to the membership of the Proxy Committee will be made only with Board approval. Upon departure from Funds Management, a member s position on the Proxy Committee will automatically terminate.

Voting Policy. Proxies generally shall be voted in accordance with the recommendations of proxy advisor ISS. However, the following proxy items shall

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be referred to the Proxy Committee for case-by-case review and vote determination:

1. Proxy items for meetings deemed of high importance where ISS opposes management recommendations; and
2. Proxy items for any third party registered investment companies (e.g., mutual funds, exchange-traded funds and closed-end funds) and business development companies (as defined in Section 2(a)(48) of the Investment Company Act of 1940 (the 1940 Act)) (Third Party Fund Holding Voting Matters).

The term high importance is defined as those items designated Proxy Level 6, 5, or 4 by ISS, which include proxy contests, mergers, capitalization proposals and anti-takeover defenses. (Further detail appears in Appendix A.)

The Proxy Committee may consult Fund sub-advisers on specific proxy voting issues as it deems appropriate or if a sub-adviser makes a recommendation regarding a proxy voting issue. As a general matter, however, proxies are voted consistently on the same matter when securities of an issuer are held by multiple Funds.

Voting decisions made by the Proxy Committee will be reported to ISS to ensure that the vote is registered in a timely manner and included in Form N-PX reporting.

Practical Limitations to Proxy Voting. While Funds Management uses its best efforts to vote proxies, in certain circumstances it may be impractical or impossible for Funds Management to vote proxies (e.g., limited value or unjustifiable costs).

For example, in accordance with local law or business practices, many foreign companies prevent the sales of shares that have been voted for a certain period beginning prior to the shareholder meeting and ending on the day following the meeting (share blocking). Due to these restrictions, Funds Management must balance the benefits to its clients of voting proxies against the potentially serious portfolio management consequences of a reduced flexibility to sell the underlying shares at the most advantageous time. As a result, Funds Management will generally not vote those proxies in the absence of an unusual, significant vote or compelling economic importance. Additionally, Funds Management may not be able to vote proxies for certain foreign securities if Funds Management does not receive the proxy statement in time to vote the proxies due to custodial processing delays.

¹ Where provisions of the 1940 Act specify the manner in which a Third Party Fund Holding Voting Matter must be voted (e.g., vote such matters in accordance with voting instructions sought from a Fund s shareholders or vote shares in the same proportion as the vote of all other holders of the registered investment company), a Fund shall vote the Third Party Fund Holding Voting Matter accordingly.

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Securities on Loan. As a general matter, securities on loan will not be recalled to facilitate proxy voting (in which case the borrower of the security shall be entitled to vote the proxy). However, if the Proxy Committee is aware of an item in time to recall the security and has determined in good faith that the importance of the matter to be voted upon outweighs the loss in lending revenue that would result from recalling the security (i.e., if there is a controversial upcoming merger or acquisition, or some other significant matter), the security will be recalled for voting.

Conflicts of Interest. Funds Management may have a conflict of interest regarding a proxy to be voted upon if, for example, Funds Management or its affiliates have other relationships with the issuer of the proxy. In most instances, conflicts of interest are avoided through a strict and objective application of the voting guidelines attached hereto. However, when the Proxy Committee is aware of a material conflict of interest regarding a matter that would otherwise require a vote by the Proxy Committee or that, in the determination of the Proxy Committee, otherwise warrants the taking of additional steps to mitigate the conflict, the Proxy Committee shall address the material conflict by using any of the following methods:

1. instructing ISS to vote in accordance with the recommendation ISS makes to its clients;
2. disclosing the conflict to the Board and obtaining its consent before voting;
3. submitting the matter to the Board to exercise its authority to vote on such matter;
4. engaging an independent fiduciary who will direct the Proxy Committee how to vote on such matter;
5. consulting with outside legal counsel for guidance on resolution of the conflict of interest;
6. erecting information barriers around the person or persons making voting decisions;
7. voting in proportion to other shareholders (mirror voting); or
8. voting in other ways that are consistent with each Fund's obligation to vote in the best interests of its shareholders.

The Proxy Committee will not permit its votes to be influenced by any conflict of interest that exists for any other affiliated person of the Fund (such as a sub-adviser or principal underwriter) or any affiliated persons of such affiliated persons and the Proxy Committee will vote all such matters without regard to the conflict.

Funds Management may also have a conflict of interest regarding a proxy to be voted on if a member of the Board has identified an affiliation, directly or

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indirectly, with a public or private company (an Identified Company). Identified Companies include a Board member s employer, as well as any company of which the Board member is a director or officer or a 5% or more shareholder. The Proxy Committee shall address such a conflict by instructing ISS to vote in accordance with the recommendation ISS makes to its clients, irrespective of the Proxy Level designated for such matters by ISS.

Disclosure of Policies and Procedures. Each Fund shall disclose in its statement of additional information a description of the policies and procedures it uses to determine how to vote proxies relating to securities held in its portfolio. In addition, each Fund shall disclose in its semi- and annual reports that a description of its proxy voting policies and procedures is available without charge, upon request, by calling 1-800-222-8222, on the Fund s web site at <https://www.wellsfargofunds.com/> and on the Securities and Exchange Commission s website at <http://www.sec.gov>.

Disclosure of Proxy Voting Record. Each Trust shall file with the Commission an annual report on Form N-PX not later than August 31 of each year (beginning August 31, 2004), containing the Trust s proxy voting record for the most recent twelve-month period ended June 30.

Each Fund shall disclose in its statement of additional information and semi- and annual reports that information regarding how the Fund voted proxies relating to portfolio securities during the most recent 12-month period ended June 30 is available without charge on the Funds web site at <https://www.wellsfargofunds.com/> or by accessing the Commission s web site at www.sec.gov.

Each Fund shall disclose the following information on Form N-PX for each matter relating to a portfolio security considered at any shareholder meeting held during the period covered by the report and with respect to which the Fund was entitled to vote:

1. The name of the issuer of the portfolio security;
2. The exchange ticker symbol of the portfolio security;
3. The Council of Uniform Securities Identification Procedures (CUSIP) number for the portfolio security (unless the CUSIP is not available through reasonably practicable means, in which case it will be omitted);
4. The shareholder meeting date;
5. A brief identification of the matter voted on;
6. Whether the matter was proposed by the issuer or by a security holder;
7. Whether the Fund cast its vote on the matter;

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8. How the Fund cast its vote (e.g. for or against a proposal, or abstain; for or withhold regarding election of directors); and

 9. Whether the Fund cast its vote for or against management.
- Form N-PX shall be made available to Fund shareholders through the SEC web site.

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TO

PROXY VOTING POLICIES AND PROCEDURES

Funds Management will vote proxies relating to portfolio securities held by the Trusts in accordance with the following proxy voting guidelines. To the extent the specific guidelines below do not address a proxy voting proposal, Funds Management will vote pursuant to ISS' current U.S. and International proxy voting guidelines. Proxies for securities held by the Wells Fargo Advantage Social Awareness Fund related to social and environmental proposals will be voted pursuant to ISS' current SRI Proxy Voting Guidelines. In addition, proxies related to issues not addressed by the specific guidelines below or by ISS' current U.S. and International proxy voting guidelines will be forwarded to the Proxy Committee for a vote determination by the Proxy Committee.

Uncontested Election of Directors or Trustees

THE FUNDS will generally vote for all uncontested director or trustee nominees. The Nominating Committee is in the best position to select nominees who are available and capable of working well together to oversee management of the company. THE FUNDS will not require a performance test for directors. FOR

THE FUNDS will generally vote for reasonably crafted shareholder proposals calling for directors to be elected with an affirmative majority of votes cast and/or the elimination of the plurality standard for electing directors, unless the company has adopted formal corporate governance principles that present a meaningful alternative to the majority voting standard. FOR

THE FUNDS will withhold votes for a director if the nominee fails to attend at least 75% of the board and committee meetings without a valid excuse. WITHHOLD

THE FUNDS will vote against routine election of directors if any of the following apply: company fails to disclose adequate information in a timely manner, serious issues with the finances, questionable transactions, conflicts of interest, record of abuses against minority shareholder interests, bundling of director elections, and/or egregious governance practices. AGAINST

THE FUNDS will withhold votes from the entire board (except for new nominees) where the director(s) receive more than 50% withhold votes out of those cast and the issue that was the underlying cause of the high level of withhold votes has not been addressed. WITHHOLD

THE FUNDS will withhold votes from members of the Audit Committee and/or the full board if poor accounting practices, which rise to a level of serious concern, such as: fraud; misapplication of GAAP; and material weaknesses identified in Section 404 disclosures, are identified. WITHHOLD

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THE FUNDS will withhold votes from members of the Audit Committee if the company receives an adverse opinion on the company's financial statements from its auditor. WITHHOLD

THE FUNDS will withhold votes from members of the Audit Committee if there is persuasive evidence that the audit committee entered into an inappropriate indemnification agreement with its auditor that limits the ability of the company, or its shareholders, to pursue legitimate legal recourse against the audit firm. WITHHOLD

THE FUNDS will withhold votes from all directors (except for new nominees) if the company has adopted or renewed a poison pill without shareholder approval since the company's last annual meeting, does not put the pill to a vote at the current annual meeting, and does not have a requirement or does not commit to put the pill to shareholder vote within 12 months. In addition, THE FUNDS will withhold votes on all directors at any company that responds to the majority of the shareholders voting by putting the poison pill to a shareholder vote with a recommendation other than to eliminate the pill. WITHHOLD

THE FUNDS will withhold votes from compensation committee members if they fail to submit one-time transferable stock options (TSOs) to shareholders for approval. WITHHOLD

Limitation on Number of Boards a Director May Sit On

THE FUNDS will withhold votes from directors who sit on more than six boards. WITHHOLD

THE FUNDS will withhold votes from CEO directors who sit on more than two outside boards besides their own. WITHHOLD

Ratification of Auditors

THE FUNDS will vote against auditors and withhold votes from audit committee members if non-audit fees are greater than audit fees, audit-related fees, and permitted tax fees, combined. THE FUNDS will follow the disclosure categories being proposed by the SEC in applying the above formula. AGAINST/
WITHHOLD

With the above exception, THE FUNDS will generally vote for proposals to ratify auditors unless: FOR

1. an auditor has a financial interest in or association with the company, and is therefore not independent, or AGAINST

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2. there is reason to believe that the independent auditor has rendered an opinion that is neither accurate nor indicative of the company's financial position. AGAINST

THE FUNDS will vote against proposals that require auditors to attend annual meetings as auditors are regularly reviewed by the board audit committee, and such attendance is unnecessary. AGAINST

THE FUNDS will vote for shareholder proposals requesting a shareholder vote for audit firm ratification. FOR

THE FUNDS will vote against shareholder proposals asking for audit firm rotation. This practice is viewed as too disruptive and too costly to implement for the benefit achieved. AGAINST

Company Name Change/Purpose

THE FUNDS will vote for proposals to change the company name as management and the board is best suited to determine if such change in company name is necessary. FOR

However, where the name change is requested in connection with a reorganization of the company, the vote will be based on the merits of the reorganization. CASE-BY-CASE

In addition, THE FUNDS will generally vote for proposals to amend the purpose of the company. Management is in the best position to know whether the description of what the company does is accurate, or whether it needs to be updated by deleting, adding or revising language. FOR

Employee Stock Purchase Plans/401(k) Employee Benefit Plans

THE FUNDS will vote for proposals to adopt, amend or increase authorized shares for employee stock purchase plans and 401(k) plans for employees as properly structured plans enable employees to purchase common stock at a slight discount and thus own a beneficial interest in the company, provided that the total cost of the company's plan is not above the allowable cap for the company. FOR

Similarly, THE FUNDS will generally vote for proposals to adopt or amend thrift and savings plans, retirement plans, pension plans and profit plans. FOR

Table of Contents**Anti-Hedging/Pledging/Speculative Investments Policy**

THE FUNDS will consider proposals prohibiting named executive officers from engaging in derivative or speculative transactions involving company stock, including hedging, holding stock in a margin account, or pledging stock as collateral for a loan on a case-by-case basis. The company's existing policies regarding responsible use of company stock will be considered.

CASE-BY-CASE

Approve Other Business

THE FUNDS will generally vote for proposals to approve other business. This transfer of authority allows the corporation to take certain ministerial steps that may arise at the annual or special meeting.

FOR

However, THE FUNDS retains the discretion to vote against such proposals if adequate information is not provided in the proxy statement, or the measures are significant and no further approval from shareholders is sought.

AGAINST

Independent Board of Directors/Board Committees

THE FUNDS will vote for proposals requiring that two-thirds of the board be independent directors. An independent board faces fewer conflicts and is best prepared to protect stockholders' interests.

FOR

THE FUNDS will withhold votes from insiders and affiliated outsiders on boards that are not at least majority independent.

WITHHOLD

THE FUNDS will withhold votes from compensation committee members where there is a pay-for-performance disconnect (for Russell 3000 companies).

WITHHOLD

THE FUNDS will vote for proposals requesting that the board audit, compensation and/or nominating committees be composed of independent directors, only. Committees should be composed entirely of independent directors in order to avoid conflicts of interest.

FOR

THE FUNDS will withhold votes from any insiders or affiliated outsiders on audit, compensation or nominating committees. THE FUNDS will withhold votes from any insiders or affiliated outsiders on the board if any of these key committees has not been established.

WITHHOLD

THE FUNDS will vote against proposals from shareholders requesting an independent compensation consultant.

AGAINST

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Director Fees

THE FUNDS will vote for proposals to set director fees. FOR

Minimum Stock Requirements by Directors

THE FUNDS will vote against proposals requiring directors to own a minimum number of shares of company stock in order to qualify as a director, or to remain on the board. AGAINST
 Minimum stock ownership requirements can impose an across-the-board requirement that could prevent qualified individuals from serving as directors.

Indemnification and Liability Provisions for Directors and Officers

THE FUNDS will vote for proposals to allow indemnification of directors and officers, when the actions taken were on behalf of the company and no criminal violations occurred. FOR
 THE FUNDS will also vote in favor of proposals to purchase liability insurance covering liability in connection with those actions. Not allowing companies to indemnify directors and officers to the degree possible under the law would limit the ability of the company to attract qualified individuals.

Alternatively, THE FUNDS will vote against indemnity proposals that are overly broad. For example, THE FUNDS will oppose proposals to indemnify directors for acts going beyond mere carelessness, such as gross negligence, acts taken in bad faith, acts not otherwise allowed by state law or more serious violations of fiduciary obligations. AGAINST

Nominee Statement in the Proxy

THE FUNDS will vote against proposals that require board nominees to have a statement of candidacy in the proxy, since the proxy statement already provides adequate information pertaining to the election of directors. AGAINST

Director Tenure/Retirement Age

THE FUNDS will vote against proposals to limit the tenure of directors as such limitations based on an arbitrary number could prevent qualified individuals from serving as directors. AGAINST
 However, THE FUNDS is in favor of inserting cautionary language when the average director tenure on the board exceeds 15 years for the entire board.

The Funds will vote for proposals to establish a mandatory retirement age for directors provided that such retirement age is not less than 65. FOR

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Board Powers/Procedures/Qualifications

THE FUNDS will consider on a case-by-case basis proposals to amend the corporation's By-laws so that the Board of Directors shall have the power, without the assent or vote of the shareholders, to make, alter, amend, or rescind the By-laws, fix the amount to be reserved as working capital, and fix the number of directors and what number shall constitute a quorum of the Board. In determining these issues, THE FUNDS will rely on the proxy voting Guidelines. CASE-BY-CASE

Adjourn Meeting to Solicit Additional Votes

THE FUNDS will examine proposals to adjourn the meeting to solicit additional votes on a case-by-case basis. As additional solicitation may be costly and could result in coercive pressure on shareholders, THE FUNDS will consider the nature of the proposal and its vote recommendations for the scheduled meeting. CASE-BY-CASE

THE FUNDS will vote for this item when:

THE FUNDS is supportive of the underlying merger proposal; the company provides a sufficient, compelling reason to support the adjournment proposal; and the authority is limited to adjournment proposals requesting the authority to adjourn solely to solicit proxies to approve a transaction THE FUNDS supports. FOR

Reimbursement of Solicitation Expenses

THE FUNDS will consider contested elections on a case-by-case basis, considering the following factors: long-term financial performance of the target company relative to its industry; management's track record; background of the proxy contest; qualifications of director or trustee nominees (both slates); evaluation of what each side is offering shareholders as well as the likelihood that the proposed objectives and goals can be met; and stock ownership positions. CASE-BY-CASE

Board Structure: Staggered vs. Annual Elections

THE FUNDS will consider the issue of classified boards on a case-by-case basis. In some cases, the division of the board into classes, elected for staggered terms, can entrench the incumbent management and make them less responsive to shareholder concerns. On the other hand, in some cases, staggered elections may provide for the continuity of experienced directors on the Board. CASE-BY-CASE

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Removal of Directors

THE FUNDS will consider on a case-by-case basis proposals to eliminate shareholders rights to remove directors with or without cause or only with approval of two-thirds or more of the shares entitled to vote. CASE-BY-CASE

However, a requirement that a 75% or greater vote be obtained for removal of directors is abusive and will warrant a vote against the proposal. AGAINST

Board Vacancies

THE FUNDS will vote against proposals that allow the board to fill vacancies without shareholder approval as these authorizations run contrary to basic shareholders rights. AGAINST

Alternatively, THE FUNDS will vote for proposals that permit shareholders to elect directors to fill board vacancies. FOR

Cumulative Voting

THE FUNDS will vote on proposals to permit or eliminate cumulative voting on a case-by-case basis based upon the existence of a counter balancing governance structure and company performance, in accordance with its proxy voting guideline philosophy. CASE-BY-CASE

THE FUNDS will vote for against cumulative voting if the board is elected annually. AGAINST

Board Size

THE FUNDS will vote for proposals that seek to fix the size of the board, as the ability for management to increase or decrease the size of the board in the face of a proxy contest may be used as a takeover defense. FOR

However, if the company has cumulative voting, downsizing the board may decrease a minority shareholder's chances of electing a director.

By increasing the size of the board, management can make it more difficult for dissidents to gain control of the board. Fixing the size of the board also prevents a reduction in the board size as a means to oust independent directors or those who cause friction within an otherwise homogenous board.

Shareholder Rights Plan (Poison Pills)

THE FUNDS will generally vote for proposals that request a company to submit its poison pill for shareholder ratification. FOR

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Alternatively, THE FUNDS will analyze proposals to redeem a company's poison pill, or requesting the ratification of a poison pill on a case-by-case basis. CASE-BY-CASE

Poison pills are one of the most potent anti-takeover measures and are generally adopted by boards without shareholder approval. These plans harm shareholder value and entrench management by deterring stock acquisition offers that are not favored by the board.

Fair Price Provisions

THE FUNDS will consider fair price provisions on a case-by-case basis, evaluating factors such as the vote required to approve the proposed mechanism, the vote required to approve the proposed acquisition, the vote required to repeal the fair price provision, and the mechanism for determining the fair price. CASE-BY-CASE

THE FUNDS will vote against fair price provisions with shareholder vote requirements of 75% or more of disinterested shares. AGAINST

Greenmail

THE FUNDS will generally vote in favor of proposals limiting the corporation's authority to purchase shares of common stock (or other outstanding securities) from a holder of a stated interest (5% or more) at a premium unless the same offer is made to all shareholders. These are known as anti-greenmail provisions. Greenmail discriminates against rank-and-file shareholders and may have an adverse effect on corporate image. FOR

If the proposal is bundled with other charter or bylaw amendments, THE FUNDS will analyze such proposals on a case-by-case basis. In addition, THE FUNDS will analyze restructurings that involve the payment of pale greenmail on a case-by-case basis. CASE-BY-CASE

Voting Rights

THE FUNDS will vote for proposals that seek to maintain or convert to a one-share, one-vote capital structure as such a principle ensures that management is accountable to all the company's owners. FOR

Alternatively, THE FUNDS will vote against any proposals to cap the number of votes a shareholder is entitled to. Any measure that places a ceiling on voting may entrench management and lessen its interest in maximizing shareholder value. AGAINST

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Dual Class/Multiple-Voting Stock

THE FUNDS will vote against proposals that authorize, amend or increase dual class or multiple-voting stock which may be used in exchanges or recapitalizations. Dual class or multiple-voting stock carry unequal voting rights, which differ from those of the broadly traded class of common stock. AGAINST

Alternatively, THE FUNDS will vote for the elimination of dual class or multiple-voting stock, which carry different rights than the common stock. FOR

Confidential Voting

THE FUNDS will vote for proposals to adopt confidential voting. FOR

Vote Tabulations

THE FUNDS will vote against proposals asking corporations to refrain from counting abstentions and broker non-votes in their vote tabulations and to eliminate the company's discretion to vote unmarked proxy ballots. Vote counting procedures are determined by a number of different standards, including state law, the federal proxy rules, internal corporate policies, and mandates of the various stock exchanges. AGAINST

Equal Access to the Proxy

THE FUNDS will evaluate Shareholder proposals requiring companies to give shareholders access to the proxy ballot for the purpose of nominating board members, on a case-by-case basis taking into account the ownership threshold proposed in the resolution and the proponent's rationale for the proposal at the targeted company in terms of board and director conduct. CASE-BY-CASE

Disclosure of Information

THE FUNDS will vote against shareholder proposals requesting fuller disclosure of company policies, plans, or business practices. Such proposals rarely enhance shareholder return and in many cases would require disclosure of confidential business information. AGAINST

Annual Meetings

THE FUNDS will vote for proposals to amend procedures or change date or location of the annual meeting. Decisions as to procedures, dates or locations of meetings are best placed with management. FOR

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Alternatively, THE FUNDS will vote against proposals from shareholders calling for a change in the location or date of annual meetings as no date or location proposed will be acceptable to all shareholders.	AGAINST
THE FUNDS will generally vote in favor of proposals to reduce the quorum necessary for shareholders meetings, subject to a minimum of a simple majority of the company s outstanding voting shares.	FOR
Shareholder Advisory Committees/Independent Inspectors	
THE FUNDS will vote against proposals seeking to establish shareholder advisory committees or independent inspectors. The existence of such bodies dilutes the responsibility of the board for managing the affairs of the corporation.	AGAINST
Technical Amendments to the Charter of Bylaws	
THE FUNDS will generally vote in favor of charter and bylaw amendments proposed solely to conform to modern business practices, for simplification, or to comply with what management s counsel interprets as applicable law.	FOR
However, amendments that have a material effect on shareholder s rights will be considered on a case-by-case basis.	CASE-BY-CASE
Bundled Proposals	
THE FUNDS will vote for bundled or conditional proxy proposals on a case-by-case basis, as THE FUNDS will examine the benefits and costs of the packaged items, and determine if the effect of the conditioned items are in the best interests of shareholders.	CASE-BY-CASE
Dividends	
THE FUNDS will vote for proposals to allocate income and set dividends.	FOR
THE FUNDS will also vote for proposals that authorize a dividend reinvestment program as it allows investors to receive additional stock in lieu of a cash dividend.	FOR
However, if a proposal for a special bonus dividend is made that specifically rewards a certain class of shareholders over another, THE FUNDS will vote against the proposal.	AGAINST
THE FUNDS will also vote against proposals from shareholders requesting	AGAINST

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management to redistribute profits or restructure investments. Management is best placed to determine how to allocate corporate earnings or set dividends.

Reduce the Par Value of the Common Stock

THE FUNDS will vote for proposals to reduce the par value of common stock. FOR

Preferred Stock Authorization

THE FUNDS will generally vote for proposals to create preferred stock in cases where the company expressly states that the stock will not be used as a takeover defense or carry superior voting rights, or where the stock may be used to consummate beneficial acquisitions, combinations or financings. FOR

Alternatively, THE FUNDS will vote against proposals to authorize or issue preferred stock if the board has asked for the unlimited right to set the terms and conditions for the stock and may issue it for anti-takeover purposes without shareholder approval (blank check preferred stock). AGAINST

In addition, THE FUNDS will vote against proposals to issue preferred stock if the shares to be used have voting rights greater than those available to other shareholders. AGAINST

THE FUNDS will vote for proposals to require shareholder approval of blank check preferred stock issues for other than general corporate purposes (white squire placements). FOR

Preemptive Rights

THE FUNDS will generally vote for proposals to eliminate preemptive rights. Preemptive rights are unnecessary to protect shareholder interests due to the size of most modern companies, the number of investors and the liquidity of trading. FOR

Share Repurchase Plans

THE FUNDS will vote for share repurchase plans, unless: FOR

3. there is clear evidence of past abuse of the authority; or AGAINST

4. the plan contains no safeguards against selective buy-backs. AGAINST

Corporate stock repurchases are a legitimate use of corporate funds and can add to long-term shareholder returns.

Table of Contents**Executive and Director Compensation Plans**

THE FUNDS will analyze on a case-by-case basis proposals on executive or director compensation plans, with the view that viable compensation programs reward the creation of stockholder wealth by having high payout sensitivity to increases in shareholder value. Such proposals may seek shareholder approval to adopt a new plan, or to increase shares reserved for an existing plan. CASE-BY-CASE

THE FUNDS will review the potential cost and dilutive effect of the plan. After determining how much the plan will cost, ISS evaluates whether the cost is reasonable by comparing the cost to an allowable cap. The allowable cap is industry-specific, market cap-base, and pegged to the average amount paid by companies performing in the top quartile of their peer groups. If the proposed cost is below the allowable cap, THE FUNDS will vote for the plan. ISS will also apply a pay for performance overlay in assessing equity-based compensation plans for Russell 3000 companies. FOR

If the proposed cost is above the allowable cap, THE FUNDS will vote against the plan. AGAINST

Among the plan features that may result in a vote against the plan are: AGAINST

5. plan administrators are given the authority to reprice or replace underwater options; repricing guidelines will conform to changes in the NYSE and NASDAQ listing rules.

THE FUNDS will vote against equity plans that have high average three-year burn rate. (The burn rate is calculated as the total number of stock awards and stock options granted any given year divided by the number of common shares outstanding.) THE FUNDS will define a high average three-year burn rate as the following: The company's most recent three-year burn rate exceeds one standard deviation of its four-digit GICS peer group segmented by Russell 3000 index and non-Russell 3000 index; and the company's most recent three-year burn rate exceeds 2% of common shares outstanding. For companies that grant both full value awards and stock options to their employees, THE FUNDS shall apply a premium on full value awards for the past three fiscal years. AGAINST

Even if the equity plan fails the above burn rate, THE FUNDS will vote for the plan if the company commits in a public filing to a three-year average burn rate equal to its GICS group burn rate mean plus one standard deviation. If the company fails to fulfill its burn rate commitment, THE FUNDS will consider withholding from the members of the compensation committee. FOR

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THE FUNDS will calculate a higher award value for awards that have Dividend Equivalent Rights (DER s) associated with them.	CASE-BY-CASE
THE FUNDS will generally vote for shareholder proposals requiring performance-based stock options unless the proposal is overly restrictive or the company demonstrates that it is using a substantial portion of performance-based awards for its top executives.	FOR
THE FUNDS will vote for shareholder proposals asking the company to expense stock options, as a result of the FASB final rule on expensing stock options.	FOR
THE FUNDS will generally vote for shareholder proposals to exclude pension fund income in the calculation of earnings used in determining executive bonuses/compensation.	FOR
THE FUNDS will generally vote for TSO awards within a new equity plan if the total cost of the equity plan is less than the company s allowable cap.	FOR
THE FUNDS will generally vote against shareholder proposals to ban future stock option grants to executives. This may be supportable in extreme cases where a company is a serial repricer, has a huge overhang, or has highly dilutive, broad-based (non-approved) plans and is not acting to correct the situation.	AGAINST
THE FUNDS will evaluate shareholder proposals asking companies to adopt holding periods for their executives on a case-by-case basis taking into consideration the company s current holding period or officer share ownership requirements, as well as actual officer stock ownership in the company.	CASE-BY-CASE
For certain OBRA-related proposals, THE FUNDS will vote for plan provisions that (a) place a cap on annual grants or amend administrative features, and (b) add performance criteria to existing compensation plans to comply with the provisions of Section 162(m) of the Internal Revenue Code.	FOR
In addition, director compensation plans may also include stock plans that provide directors with the option of taking all or a portion of their cash compensation in the form of stock. THE FUNDS will consider these plans based on their voting power dilution.	CASE-BY-CASE
THE FUNDS will generally vote for retirement plans for directors.	FOR

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THE FUNDS will evaluate compensation proposals (Tax Havens) requesting share option schemes or amending an existing share option scheme on a case-by-case basis. CASE-BY-CASE

Stock options align management interests with those of shareholders by motivating executives to maintain stock price appreciation. Stock options, however, may harm shareholders by diluting each owner's interest. In addition, exercising options can shift the balance of voting power by increasing executive ownership.

Bonus Plans

THE FUNDS will vote for proposals to adopt annual or long-term cash or cash-and-stock bonus plans on a case-by-case basis. These plans enable companies qualify for a tax deduction under the provisions of Section 162(m) of the IRC. Payouts under these plans may either be in cash or stock and are usually tied to the attainment of certain financial or other performance goals. THE FUNDS will consider whether the plan is comparable to plans adopted by companies of similar size in the company's industry and whether it is justified by the company's performance. CASE-BY-CASE

Deferred Compensation Plans

THE FUNDS will generally vote for proposals to adopt or amend deferred compensation plans as they allow the compensation committee to tailor the plan to the needs of the executives or board of directors, unless FOR

6. the proposal is embedded in an executive or director compensation plan that is contrary to guidelines AGAINST

Disclosure on Executive or Director Compensation Cap or Restrict Executive or Director Compensation

THE FUNDS will generally vote for shareholder proposals requiring companies to report on their executive retirement benefits (deferred compensation, split-dollar life insurance, SERPs, and pension benefits). FOR

THE FUNDS will generally vote for shareholder proposals requesting to put extraordinary benefits contained in SERP agreements to a shareholder vote, unless the company's executive pension plans do not contain excessive benefits beyond what is offered under employee-wide plans. FOR

THE FUNDS will generally vote against proposals seek to limit executive and director pay. AGAINST

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Tax-Gross-Up Payments

THE FUNDS will examine on a case-by-case basis proposals calling for companies to adopt a policy of not providing tax gross-up payments to executives. CASE-BY-CASE

Relocation Benefits

The FUNDS will not consider relocation benefits as a problematic pay practice in connection with management say-on-pay proposals.

Exchange Offers/Re-Pricing

The FUNDS will not vote against option exchange programs made available to executives and directors that are otherwise found acceptable.

Golden and Tin Parachutes

THE FUNDS will vote for proposals that seek shareholder ratification of golden or tin parachutes as shareholders should have the opportunity to approve or disapprove of these severance agreements. FOR

Alternatively, THE FUNDS will examine on a case-by-case basis proposals that seek to ratify or cancel golden or tin parachutes. Effective parachutes may encourage management to consider takeover bids more fully and may also enhance employee morale and productivity. Among the arrangements that will be considered on their merits are: CASE-BY-CASE

7. arrangements guaranteeing key employees continuation of base salary for more than three years or lump sum payment of more than three times base salary plus retirement benefits;
8. guarantees of benefits if a key employee voluntarily terminates;
9. guarantees of benefits to employees lower than very senior management; and
10. indemnification of liability for excise taxes.

By contrast, THE FUNDS will vote against proposals that would guarantee benefits in a management-led buyout. AGAINST

Stakeholder Laws

THE FUNDS will vote against resolutions that would allow the Board to consider stakeholder interests (local communities, employees, suppliers, creditors, etc.) when faced with a takeover offer. AGAINST

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Similarly, THE FUNDS will vote for proposals to opt out of stakeholder laws, which permit directors, when taking action, to weight the interests of constituencies other than shareholders in the process of corporate decision-making. Such laws allow directors to consider nearly any factor they deem relevant in discharging their duties. FOR

Mergers/Acquisitions and Corporate Restructurings

THE FUNDS will consider proposals on mergers and acquisitions on a case-by-case basis. THE FUNDS will determine if the transaction is in the best economic interests of the shareholders. THE FUNDS will take into account the following factors: CASE-BY-CASE

11. anticipated financial and operating benefits;
12. offer price (cost versus premium);
13. prospects for the combined companies;
14. how the deal was negotiated;
15. changes in corporate governance and their impact on shareholder rights.

In addition, THE FUNDS will also consider whether current shareholders would control a minority of the combined company's outstanding voting power, and whether a reputable financial advisor was retained in order to ensure the protection of shareholders' interests. CASE-BY-CASE

On all other business transactions, i.e. corporate restructuring, spin-offs, asset sales, liquidations, and restructurings, THE FUNDS will analyze such proposals on a case-by-case basis and utilize the majority of the above factors in determining what is in the best interests of shareholders. Specifically, for liquidations, the cost versus premium factor may not be applicable, but THE FUNDS may also review the compensation plan for executives managing the liquidation. CASE-BY-CASE

Appraisal Rights

THE FUNDS will vote for proposals to restore, or provide shareholders with rights of appraisal. FOR

Rights of appraisal provide shareholders who are not satisfied with the terms of certain corporate transactions (such as mergers) the right to demand a judicial review in order to determine the fair value of their shares.

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Mutual Fund Proxies

THE FUNDS will vote mutual fund proxies on a case-by-case basis.

CASE-BY-CASE

Proposals may include, and are not limited to, the following issues:

16. eliminating the need for annual meetings of mutual fund shareholders;
17. entering into or extending investment advisory agreements and management contracts;
18. permitting securities lending and participation in repurchase agreements;
19. changing fees and expenses; and
20. changing investment policies.

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APPENDIX B

TO

PROXY VOTING POLICIES AND PROCEDURES

Members of Funds Management Proxy Voting Committee

Thomas C. Biwer, CFA

Mr. Biwer has 38 years experience in finance and investments. He has served as an investment analyst, portfolio strategist, and corporate pension officer. He received B.S. and M.B.A. degrees from the University of Illinois and has earned the right to use the CFA designation.

Erik J. Sens, CFA

Mr. Sens has 22 years of investment industry experience. He has served as an investment analyst and portfolio manager. He received undergraduate degrees in Finance and Philosophy from the University of San Francisco and has earned the right to use the CFA designation.

Travis L. Keshemberg, CFA

Mr. Keshemberg has 17 years experience in the investment industry. He has served as a overlay portfolio manager and investment consultant. He holds a Masters Degree from the University of Wisconsin Milwaukee and Bachelors degree from Marquette University. He has earned the right to use the CFA, CIPM and CIMA designations.

Patrick E. McGuinnis, CFA

Mr. McGuinnis has 12 years of experience in the investment industry as an analyst. He holds B.S. and M.S. degrees in Finance from the University of Wisconsin and has earned the right to use the CFA designation.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES

PORTFOLIO MANAGERS

Timothy O Brien

Mr. O Brien is a managing partner at Crow Point Partners LLC. Prior to founding Crow Point in 2006, he was a managing director and senior portfolio manager with the Value Equity team of Evergreen Investments Equity Management group. Mr. O Brien has been in the investment management industry since 1983.

Niklas Nordenfelt, CFA

Mr. Nordenfelt is currently managing director, senior portfolio manager with the Sutter High Yield Fixed Income team at Wells Capital Management. Niklas joined the Sutter High Yield Fixed Income team of Wells Capital Management in February 2003 as investment strategist. Niklas began his investment career in 1991 and has managed portfolios ranging from quantitative-based and tactical asset allocation strategies to credit driven portfolios. Previous to joining Sutter, Niklas was at Barclays Global Investors (BGI) from 1996-2002 where he was a principal. At BGI,

he worked on their international and emerging markets equity strategies after having managed their asset allocation products. Prior to this, Niklas was a quantitative analyst at Fidelity and a portfolio manager and group leader at Mellon Capital Management. He earned a bachelor's degree in economics from the University of California, Berkeley, and has earned the right to use the CFA designation.

Table of Contents**Philip Susser**

Mr. Susser is currently managing director, senior portfolio manager, and co-head of the Sutter High Yield Fixed Income team at Wells Capital Management. Philip joined the Sutter High Yield Fixed Income team as a senior research analyst in 2001. He has extensive research experience in the cable/satellite, gaming, hotels, restaurants, printing/publishing, telecom, REIT, lodging and distressed sectors. Philip's investment experience began in 1995 spending three years as a securities lawyer at Cahill Gordon and Shearman & Sterling representing underwriters and issuers of high yield debt. Later, Philip evaluated venture investment opportunities for MediaOne Ventures before joining Deutsche Bank as a research analyst. He received his bachelor's degree in economics from the University of Pennsylvania and his law degree from the University of Michigan Law School.

OTHER FUNDS AND ACCOUNTS MANAGED

The following table provides information about the registered investment companies and other pooled investment vehicles and accounts managed by the portfolio manager of the Fund as of the Fund's most recent year ended August 31, 2018.

Timothy O Brien

	Other Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
I manage the following types of accounts:			
Number of above accounts	2	0	0
Total assets of above accounts (millions)	\$ 465.0	\$ 0	\$ 0

performance based fee accounts:

	Other Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
I manage the following types of accounts:			
Number of above accounts	0	0	0
Total assets of above accounts (millions)	\$ 0.0	\$ 0.0	\$ 0.0

Niklas Nordenfelt

	Other Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
I manage the following types of accounts:			
Number of above accounts	7	4	16
	\$ 2,713.6	\$ 439.7	\$ 1,476.9

Total assets of above
accounts (millions)

performance based fee accounts:

	Other Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
I manage the following types of accounts:			
Number of above accounts	0	0	0
Total assets of above accounts (millions)	\$ 0.0	\$ 0.0	\$ 0.0

Philip Susser

	Other Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
I manage the following types of accounts:			
Number of above accounts	6	4	16
Total assets of above accounts (millions)	\$ 2,666.4	\$ 439.7	\$ 1,476.9

performance based fee accounts:

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	Other Registered Investment Companies	Other Pooled Investment Vehicles	Other Accounts
I manage the following types of accounts:			
Number of above accounts	0	0	0
Total assets of above accounts (millions)	\$ 0.0	\$ 0.0	\$ 0.0

MATERIAL CONFLICTS OF INTEREST

The Portfolio Managers face inherent conflicts of interest in their day-to-day management of the Funds and other accounts because the Funds may have different investment objectives, strategies and risk profiles than the other accounts managed by the Portfolio Managers. For instance, to the extent that the Portfolio Managers manage accounts with different investment strategies than the Funds, they may from time to time be inclined to purchase securities, including initial public offerings, for one account but not for a Fund. Additionally, some of the accounts managed by the Portfolio Managers may have different fee structures, including performance fees, which are or have the potential to be higher or lower, in some cases significantly higher or lower, than the fees paid by the Funds. The differences in fee structures may provide an incentive to the Portfolio Managers to allocate more favorable trades to the higher-paying accounts.

To minimize the effects of these inherent conflicts of interest, the Sub-Advisers have adopted and implemented policies and procedures, including brokerage and trade allocation policies and procedures, that they believe address the potential conflicts associated with managing portfolios for multiple clients and ensure that all clients are treated fairly and equitably. Additionally, some of the Sub-Advisers minimize inherent conflicts of interest by assigning the Portfolio Managers to accounts having similar objectives. Accordingly, security block purchases are allocated to all accounts with similar objectives in proportionate weightings. Furthermore, the Sub-Advisers have adopted a Code of Ethics under Rule 17j-1 of the 1940 Act and Rule 204A-1 under the Investment Advisers Act of 1940 (the Advisers Act) to address potential conflicts associated with managing the Funds and any personal accounts the Portfolio Managers may maintain.

First International Advisors

First International Advisors Portfolio Managers often provide investment management for separate accounts advised in the same or similar investment style as that provided to mutual funds. While management of multiple accounts could potentially lead to conflicts of interest over various issues such as trade allocation, fee disparities and research acquisition, First International Advisors has implemented policies and procedures for the express purpose of ensuring that clients are treated fairly and that potential conflicts of interest are minimized.

Crow Point.

Crow Point manages other investment vehicles, including some that may have investment objectives and strategies similar to the Funds. The management of multiple funds and other accounts may require the portfolio manager to devote less than all of his or her time to the Fund, particularly if the other funds and accounts have different objectives, benchmarks and time horizons. The portfolio manager may also be required to allocate his or her investment ideas across multiple funds and accounts. In addition, if a portfolio manager identifies a limited investment opportunity, such as an initial public offering, that may be suitable for more than one fund or other account, the Fund may not be able to take full advantage of that opportunity due to, for example, an allocation of that investment across all eligible funds and accounts. Further, security purchase and sale orders for multiple accounts often are aggregated for purpose of execution. Although such aggregation generally benefits clients, it may cause the price or brokerage costs to be less favorable to a particular client than if similar transactions were not being executed concurrently for

other accounts. It may also happen that the Fund's advisor or subadvisor will determine that it would be in the best interest, and consistent with the investment policies, of another account to sell a security (including by means of a short sale) that the Fund holds long, potentially resulting in a decrease in the market value of the security held by the Fund.

The structure of a portfolio manager's or an investment advisor's compensation may create an incentive for the portfolio manager or investment advisor to favor accounts whose performance has a greater impact on such compensation. The portfolio manager may, for example, have an incentive to allocate favorable or limited opportunity investments or structure the timing of investments to favor such accounts. Similarly, if a portfolio manager holds a larger personal investment in one fund than he or she does in another, the portfolio manager may have an incentive to favor the fund in which he or she holds a larger stake.

In general, Crow Point has policies and procedures that attempt to address the various potential conflicts of interest described above. However, there is no guarantee that such procedures will detect or address each and every situation where a conflict arises.

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All employees of Crow Point are bound by the company's Code of Ethics and compliance policies and procedures. Crow Point's chief compliance officer monitors and reviews compliance regularly. Crow Point's Code of Ethics and compliance procedures have been reviewed and accepted by Wells Fargo Funds Management. In addition, side-by-side trading rules have been agreed between Wells Fargo Funds Management and Crow Point as part of existing sub-advisory arrangements which are intended to ensure that shareholders of the sub-advised Wells Fargo funds are treated equitably by Crow Point with respect to investments, trading and allocations.

Wells Capital Management

Wells Capital Management's Portfolio Managers often provide investment management for separate accounts advised in the same or similar investment style as that provided to mutual funds. While management of multiple accounts could potentially lead to conflicts of interest over various issues such as trade allocation, fee disparities and research acquisition, Wells Capital Management has implemented policies and procedures for the express purpose of ensuring that clients are treated fairly and that potential conflicts of interest are minimized.

COMPENSATION

The Portfolio Managers were compensated by their employing sub-adviser from the fees the Adviser paid the Sub-Adviser using the following compensation structure:

First International Advisors Compensation. The compensation structure for First International Advisors's Portfolio Managers includes a competitive fixed base salary plus variable incentives (First International Advisors utilizes investment management compensation surveys as confirmation). Incentive bonuses are typically tied to pretax relative investment performance of all accounts under his or her management within acceptable risk parameters. Relative investment performance is generally evaluated for 1, 3, and 5 year performance results, with a predominant weighting on the 3- and 5- year time periods, versus the relevant benchmarks and/or peer groups consistent with the investment style. This evaluation takes into account relative performance of the accounts to each account's individual benchmark and/or the relative composite performance of all accounts to one or more relevant benchmarks consistent with the overall investment style. In the case of each Fund, the benchmark(s) against which the performance of the Fund's portfolio may be compared for these purposes generally are indicated in the Performance sections of the Prospectuses.

Crow Point. Portfolio managers at Crow Point are paid a fixed salary and participate in the profits of the firm in proportion to their equity ownership in the firm.

Wells Capital Management Compensation. The compensation structure for Wells Capital Management's Portfolio Managers includes a competitive fixed base salary plus variable incentives (Wells Capital Management utilizes investment management compensation surveys as confirmation). Incentive bonuses are typically tied to pretax relative investment performance of all accounts under his or her management within acceptable risk parameters. Relative investment performance is generally evaluated for 1, 3, and 5 year performance results, with a predominant weighting on the 3- and 5- year time periods, versus the relevant benchmarks and/or peer groups consistent with the investment style. This evaluation takes into account relative performance of the accounts to each account's individual benchmark and/or the relative composite performance of all accounts to one or more relevant benchmarks consistent with the overall investment style. In the case of each Fund, the benchmark(s) against which the performance of the Fund's portfolio may be compared for these purposes generally are indicated in the Performance sections of the Prospectuses.

BENEFICIAL OWNERSHIP OF THE FUND

The following table shows for each Portfolio Manager the dollar value of the Fund beneficially owned by the Portfolio Manager as of August 31, 2018:

Timothy O Brien	\$ 10,000-50,000
Niklas Nordenfelt	none
Phil Susser	none

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS

Not applicable.

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ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant's Board of Trustees that have been implemented since the registrant's last provided disclosure in response to the requirements of this Item.

ITEM 11. CONTROLS AND PROCEDURES

(a) The President and Treasurer have concluded that the Wells Fargo Utilities and High Income Fund (the Fund) disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) provide reasonable assurances that material information relating to the Fund is made known to them by the appropriate persons based on their evaluation of these controls and procedures as of a date within 90 days of the filing of this report.

(b) There were no significant changes in the Fund's internal controls over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) that occurred during the second fiscal quarter of the period covered by this report that materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

ITEM 12. EXHIBITS

(a)(1) Code of Ethics pursuant to Item 2 of Form N-CSR is filed and attached hereto as Exhibit COE.

(a)(2) Certification pursuant to Rule 30a-2(a) under the Investment Company Act of 1940 (17 CFR 270.30a-2(a)) is filed and attached hereto as Exhibit 99.CERT.

(a)(3) Not applicable.

(b) Certification pursuant to Rule 30a-2(b) under the Investment Company Act of 1940 (17 CFR 270.30a-2(b)) is filed and attached hereto as Exhibit 99.906CERT.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Wells Fargo Utilities and High Income Fund

By:

/s/ Andrew Owen

Andrew Owen
President

Date: October 26, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Wells Fargo Utilities and High Income Fund

By:

/s/ Andrew Owen

Andrew Owen
President

Date: October 26, 2018

By:

/s/ Nancy Wiser

Nancy Wiser
Treasurer

Date: October 26, 2018