LEGGETT & PLATT INC
Form 11-K
June 23, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 11-K

(Mark One):

x **ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the fiscal year ended December 31, 2009

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**

For the transition period from ______ to ______.

Commission File Number 001-07845

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:

LEGGETT & PLATT, INCORPORATED

STOCK BONUS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:

LEGGETT & PLATT, INCORPORATED

NO. 1 LEGGETT ROAD

CARTHAGE, MISSOURI 64836

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REQUIRED INFORMATION

LEGGETT & PLATT, INCORPORATED

STOCK BONUS PLAN

EIN 44-0324630 PN 004

December 31, 2009 and 2008

CONTENTS

* Other schedules required by 29 CFR 2520.103-10 of the Department of Labor s Rules and Regulations for reporting and disclosure under ERISA have been omitted because they are not applicable.

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Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders

Leggett & Platt, Incorporated Stock Bonus Plan

Carthage, Missouri

We have audited the accompanying statements of net assets available for benefits of Leggett & Platt, Incorporated Stock Bonus Plan as of December 31, 2009 and 2008, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. Our audits also included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Leggett & Platt, Incorporated Stock Bonus Plan as of December 31, 2009 and 2008, and the changes in net assets available for benefits for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplemental schedule is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

/s/ **BKD, LLP**

Joplin, Missouri

June 22, 2010

Federal Employer Identification Number: 44-0160260

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Leggett & Platt, Incorporated

Stock Bonus Plan

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

December 31,

	2009	2008
ASSETS		
Investments, at fair value	$ 101,314,936	$ 81,567,319
Cash	26,506	
Receivables		
Company contributions	1,394,927	1,602,035
Participant contributions	17,532	2,063
Accrued investment income	980,882	1,036,859
Due from broker	15,190	289,917
Total receivables	2,408,531	2,930,874
Total assets	103,749,973	84,498,193
LIABILITIES		
Due to broker	39,084	284,644
Total liabilities	39,084	284,644
NET ASSETS AVAILABLE FOR BENEFITS, AT FAIR VALUE	103,710,889	84,213,549
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	116,678	298,477
NET ASSETS AVAILABLE FOR BENEFITS	$ 103,827,567	$ 84,512,026

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

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Leggett & Platt, Incorporated

Stock Bonus Plan

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

Year Ended December 31,

	2009	2008
Additions		
Investment income (loss)		
Net appreciation (depreciation) in value of investments	$ 24,108,167	$ (16,893,825)
Dividends and interest	4,138,818	5,058,601
Net investment income (loss)	28,246,985	(11,835,224)
Contributions		
Company	2,789,548	3,557,018
Participant	3,039,709	4,142,397
Contributions	5,829,257	7,699,415
Net additions	34,076,242	(4,135,809)
Deductions		
Benefit payments	14,744,305	25,455,657
Administrative fee	16,396	21,414
Total deductions	14,760,701	25,477,071
Net increase (decrease)	19,315,541	(29,612,880)
NET ASSETS AVAILABLE FOR BENEFITS		
BEGINNING OF YEAR	84,512,026	114,124,906
END OF YEAR	$ 103,827,567	$ 84,512,026

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

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Leggett & Platt, Incorporated

Stock Bonus Plan

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE A - DESCRIPTION OF PLAN

The following description of the Leggett & Platt, Incorporated (L&P or the Company) Stock Bonus Plan (Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan s provisions.

General

The Plan is a defined contribution plan covering employees of L&P, certain subsidiaries and affiliates who meet eligibility requirements. It is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). The Plan qualifies as an Employee Stock Ownership Plan (ESOP).

Eligibility of Employees

Eligible employees are defined as non-bargaining employees at branches covered by the Plan or employees who are members of a collective bargaining unit, the representatives of which have successfully bargained for inclusion in the Plan. Eligible employees can begin participation in the Plan on the first day of January or July following the completion of one year and 1000 hours of service. The contribution formula that applies to a participant is determined by the participant s compensation in the year immediately preceding the current year.

Employees considered highly compensated under Section 414(q) of the Internal Revenue Code of 1986 (IRC) are not eligible to participate.

Contributions

The Plan has two contribution formulas. Which formula is applicable is determined by the amount of the participant s compensation, as defined by the Plan, in the year preceding the first year of eligibility. Under Formula 1, L&P s matching contribution is 50% of the participants deferral amount up to 6% of compensation in excess of a stated annual amount. The stated amount is established each year. Under Formula 2, L&P s matching contribution is 50% of the participant s deferral amount up to 2% of compensation. Participants should refer to the Summary Plan Description for detailed information regarding these contribution formulas.

For both the years ending December 31, 2009 and 2008, employee contributions are subject to limitations described within the IRC. For the year ended December 31, 2009, employee contributions consisted of cash contributions of $621,774 and contributions of common stock of $2,417,935. For the year ended December 31, 2008, employee contributions consisted of cash contributions of $793,716 and contributions of common stock of $3,348,681.

Additionally, for any year in which certain profitability levels have been attained, as defined by the Plan, L&P may make an additional discretionary contribution in an amount not to exceed 50% of participants contributions during such year. Company contributions, when made, are primarily in the form of common stock.

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Leggett & Platt, Incorporated

Stock Bonus Plan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE A - DESCRIPTION OF PLAN - CONTINUED

The Plan is designated as a pre-tax plan for employee contributions.

A participant may sell some or all existing whole shares of L&P stock acquired through employee contributions and invest the proceeds in the other investment options offered by the Plan. After completion of three years of service, participants can also diversify the investment of some or all of the whole shares acquired through employer contributions.

Participants who are entitled to diversify their existing shares under these rules may also elect to diversify future participant and employer contributions. If such an election is made, future contributions will be invested directly in the other investment options offered by the Plan, rather than in L&P stock.

Participant Accounts

Each participant s account is credited with the participant s contribution and allocations of the Company s contribution and Plan earnings.

Vesting and Distributions

Participants are always 100% vested in their employee contributions and rollover accounts. The Plan has adopted a vesting method under which Company contributions will vest after the participant has completed three years of service. At December 31, 2009 and 2008, forfeited non-vested accounts totaled $67,354 and $32,756 respectively. These accounts will be used to reduce future employer contributions. Upon retirement, death or disability, participants or their beneficiaries are entitled to the full value of their account, including Company contributions. Upon termination of employment for other reasons, participants are entitled to receive the full value of their account representing participant contributions and the vested portion of their account representing Company contributions. In-service withdrawals are allowed by participants after reaching age 59 $^{1}/2$. For participants with vested balances of $1,000 or less, payment of that amount will be completed as soon as reasonably practicable upon termination. Participants with balances more than $1,000 may elect to receive payment in regular annual installments for up to 15 years, a lump sum payment (made directly to participant or in the form of a direct rollover) or a combination of the two.

Plan Trustee

Wells Fargo, the Plan trustee, as sole trustee of the Plan, holds all Plan assets and pays benefits in accordance with information submitted by L&P, the Plan administrator.

Administrative Expenses

Most administrative expenses incurred are paid by and reflected in the financial statements of the Plan. Any Company paid expenses are not reflected in the financial statements of the Plan.

Plan Termination

Although it has not expressed any intent to do so, L&P has the right, by action of its Board of Directors, to terminate the Plan at any time.

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Leggett & Platt, Incorporated

Stock Bonus Plan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE B - SUMMARY OF ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, except for benefit payments, which are recorded when paid.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Investments

The fair value of mutual fund and common stock investments is based upon quoted market prices as of the close of business on the last day of the year. These are classified within level 1 of the valuation hierarchy as the quoted price is in an active market. Common trust funds are valued at the reported unit value, which is derived from the fair value of the underlying investments. These are classified within level 2 of the valuation hierarchy because the unit value is quoted on a private market that is not active, however, the unit value is based on underlying investments which are traded on an active market. See Note D for further information regarding the valuation hierarchy. Purchases and sales of investments are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividend income is recorded on the ex-dividend date.

Investment Contracts

The Plan holds an investment in the Wachovia Diversified Stable Value Fund (Fund). The Fund invests in traditional, separate account, and general fixed maturity synthetic and constant duration synthetic guaranteed investment contracts (GICs). The Plan s investment in the Fund is presented at fair value on the table of the investments held in the Plan (Note C).

Traditional GICs are unsecured, general account obligations of insurance companies. The obligation is backed by the general account assets of the insurance company that writes the investment contract. The crediting rate on this product is typically fixed for the life of the investment.

Separate account GICs are investments in a segregated account of assets maintained by an insurance company for the benefit of investors. The total return of the segregated account assets supports the separate account GIC return. The crediting rate on this product will reset periodically and it will have an interest rate of not less than 0%.

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Leggett & Platt, Incorporated

Stock Bonus Plan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE B - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Synthetic GICs consist of a portfolio of securities owned by the Fund and a benefit responsive, book value wrap contract purchased for the portfolio. The wrap contract amortizes gains and losses of the underlying securities over the portfolio duration, and assures that book value, benefit responsive payments will be made for participant directed withdrawals. The crediting rate on a synthetic GIC resets every quarter based on the book value of the contract, the market yield of the underlying assets, the market value of the underlying assets and the average duration of the underlying assets. The crediting rate aims at converging the book value of the contract and the market value of the underlying portfolio over the duration of the contract and therefore will be affected by movements in interest rates and/or changes in the market value of the underlying portfolio. The initial crediting rate is established based on the market interest rates at the time the underlying portfolio is first put together and it will have an interest rate of not less than 0%.

The Fund uses two primary crediting rate calculations for separate account and synthetic contracts. Both methods use current market value of underlying bonds, expected yield to maturity on underlying bonds, average duration of the portfolio, and the wrap contract value to calculate the interest crediting rate. The interest crediting rate is the incremental interest rate in excess of the expected bond yields required for the future value of the bond portfolio to equal the contract value at the termination of the wrap contract. The net crediting rate reflects fees paid to wrap (synthetic) contract issuers.

Primary variables impacting future crediting rates of separate account and synthetic GICs include the following: (i) current yield of the assets within the wrap contract; (ii) duration of the assets covered by the wrap contract; (iii) existing difference between the market value and contract value of assets within the wrap contract. Traditional fixed-rate GICs do not experience fluctuating crediting rates.

Certain events limit the ability of the Plan to transact at contract value with the issuer. Such events include the following: (i) amendments to the Fund documents or Fund s administration; (ii) changes to Fund s prohibition on competing investment options by participating plans or deletion of equity wash provisions; (iii) complete or partial termination of the Fund or its merger with another fund; (iv) the failure of the Fund or its trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA; (v) unless made in accordance with the withdrawal provisions of the Fund, the redemption of all or a portion of the interests in the Fund held by a participating plan at the direction of the participating plan sponsor, including withdrawals due to the removal of a specifically identifiable group of employees from coverage under the participating plan (such as a group layoff or early retirement incentive program), or the closing or sale of a subsidiary, employing unit or affiliate, the bankruptcy or insolvency of a plan sponsor, the merger of the plan with another plan, or the plan sponsor s establishment of another tax qualified defined contribution plan; (vi) any change in law, regulation, ruling, administrative or judicial position or accounting requirement, in any case applicable to the Fund or participating plans, and (vii) the delivery of any communication to plan participants designed to influence a participant not to invest in the Fund. At this time, the Fund does not believe that the occurrence of any such market value event which would limit the Fund s ability to transact at contract value with participants is probable.

The GICs do not permit the insurance companies to terminate the agreement prior to the scheduled maturity date.

The average yield based on actual earnings was 2.60% and 4.80% at December 31, 2009 and 2008, respectively. The average yield based on interest rate credited to participants was 3.37% and 3.61% at December 31, 2009 and 2008, respectively.

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Leggett & Platt, Incorporated

Stock Bonus Plan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE B - SUMMARY OF ACCOUNTING POLICIES - CONTINUED

Income Taxes

The Plan is a qualified tax-exempt plan under the IRC and, therefore, is exempt from federal and state income taxes. A favorable determination letter was received on December 30, 2005 for amendments dated January 2, 2004 and before. Amendments have been made to the Plan subsequent to that date. L&P believes the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC and conforms to the requirements of ERISA.

With a few exceptions, the Plan is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2006.

NOTE C - INVESTMENTS

The following investments with an (*) represent 5 percent or more of the Plan s net assets:

	December 31,	
	2009	2008
Leggett & Platt, Incorporated common stock, 3,776,823 and 4,114,033 shares, respectively	$ 77,047,189*	$ 62,492,161*
Wachovia Diversified Stable Value Fund	$ 5,404,417*	$ 5,508,557*

The Plan s investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value as follows:

	Year Ended December 31,	
	2009	2008
Common Stock	$ 20,146,525	$ (6,604,799)
Common Trust Funds	567,298	(945,148)
Mutual Funds	3,394,344	(9,343,878)
	$ 24,108,167	$ (16,893,825)

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Leggett & Platt, Incorporated

Stock Bonus Plan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE D - FAIR VALUE MEASUREMENTS

ASC Topic 820, *Fair Value Measurements*, specifies a fair value hierarchy and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The primary areas in which the Plan utilizes fair value measurements are valuing the Plan s investments. See Note B for discussions of the methodologies and assumptions used to determine the fair value of the Plan s investments. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets.

Level 2: Other significant inputs observable either directly or indirectly (including quoted market prices for similar securities, interest rates, yield curves, credit risk, etc.).

Level 3: Unobservable inputs that are not corroborated by market data.

The following table sets forth by level, within the fair value hierarchy, the Plan s assets at fair value as of December 31, 2009 and 2008.

	Assets at Fair Value as of December 31, 2009			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 15,229,794	$	$	$ 15,229,794
Common stock	77,047,189			77,047,189
Common trust funds		9,037,953		9,037,953
Total assets at fair value	$ 92,276,983	$ 9,037,953	$	$ 101,314,936

	Assets at Fair Value as of December 31, 2008			
	Level 1	Level 2	Level 3	Total
Mutual funds	$ 10,789,303	$	$	$ 10,789,303
Common stock	62,492,161			62,492,161
Common trust funds		8,285,855		8,285,855
Total assets at fair value	$ 73,281,464	$ 8,285,855	$	$ 81,567,319

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Leggett & Platt, Incorporated

Stock Bonus Plan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE E - NONPARTICIPANT-DIRECTED INVESTMENTS

Net assets (including investments and receivables) relating to nonparticipant-directed investments were approximately $300,000 and $368,000 as of December 31, 2009 and 2008, respectively. The significant components of the changes in net assets relating to the nonparticipant-directed investments are as follows:

	Year Ended December 31, 2009	2008
Changes in Net Assets:		
Net investment income (loss)	$ 92,000	$ (16,000)
Company and participant contributions	119,000	228,000
Benefit payments	(34,000)	(26,000)
Net transfers to participant directed investments	(245,000)	(318,000)
	$ (68,000)	$ (132,000)

Nonparticipant-directed investments consist of common stock of L&P, the Plan sponsor.

NOTE F - RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits according to the financial statements to Form 5500:

	December 31, 2009	2008
Net assets available for benefits per the financial statements	$ 103,827,567	$ 84,512,026
Amounts allocated to withdrawing participants		(14,196)
Net assets available for benefits per Form 5500	$ 103,827,567	$ 84,497,830

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Leggett & Platt, Incorporated

Stock Bonus Plan

NOTES TO FINANCIAL STATEMENTS - CONTINUED

December 31, 2009 and 2008

NOTE F - RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500 - CONTINUED

The following is a reconciliation of benefits paid to participants according to the financial statements to Form 5500:

	December 31, 2009	December 31, 2008
Benefits paid to participants per the financial statements	$ 14,744,305	$ 25,455,657
Amounts allocated to withdrawing participants	(14,196)	1,711
Benefits paid to participants per Form 5500	$ 14,730,109	$ 25,457,368

Amounts allocated to withdrawing participants are recorded on Form 5500 for benefit claims that have been processed and approved for payment prior to December 31, but not yet paid as of that date.

NOTE G - PARTIES-IN-INTEREST TRANSACTIONS

At December 31, 2009 and 2008, the Plan held units of participation in investment funds of Wachovia Bank, N.A. with a total fair value of $7,148,574 and $8,285,855, respectively. The Plan held common stock of Leggett and Platt, Incorporated at December 31, 2009 and 2008 with a total fair value of $77,047,189 and $62,492,161, respectively. These transactions are allowable party-in-interest transactions under Section 408(b) (8) of ERISA and the regulations promulgated thereunder.

NOTE H - SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 22, 2010, which is the date the financial statements were available to be issued.

NOTE I - RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. The Plan s exposure to these risks has been heightened because of the current economic environment. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially adversely affect the participants account balances and the amounts reported in the Statements of Net Assets Available for Benefits. The financial statements have been prepared using values and information currently available to the Plan.

SUPPLEMENTAL SCHEDULE

Leggett & Platt, Incorporated

Stock Bonus Plan

EIN 44-0324630 PN 004

Schedule H, Line 4i - Schedule of Assets (Held at End of Year)

December 31, 2009

(a)	(b) Identity of Issuer	(c) Description of investment	(e) Current value (1)
*	Leggett & Platt, Incorporated	Common stock	$ 76,747,189
*	Leggett & Platt, Incorporated	Common stock	300,000#
*	Wachovia Bank, N.A.	Wachovia Diversified Stable Value Fund	5,404,417
	Dodge & Cox	Dodge & Cox Stock Fund	3,505,790
	Van Kampen	Van Kampen Equity and Inc Fund	2,389,715
	William Blair	William Blair Intl Growth Fund	2,296,876
	American	American - The Growth Fund of America	1,900,321
	Dreyfus	Dreyfus Midcap Index Fund	1,897,223
	SSgA	SSgA Passive Bond Market Index Fund	1,889,379
*	Wachovia Bank, N.A.	Enhanced Stock Market Fund of Wachovia	1,744,157
	Goldman Sachs	Goldman Sachs Struct Intl Equity Fund	1,303,203
	Davis New York	Davis New York Venture Fund	835,464
	Dreyfus	Dreyfus Small Cap Stock Index Fund	610,744
	Vanguard	Vanguard Value Index Fund	490,458
	Total investments at fair value		101,314,936
	Adjustment from fair value to contract value for fully benefit-responsive investments contracts		116,678
	Total investments		$ 101,431,614

(1) See Note B of Notes to Financial Statements regarding carrying value of investments.
* Investments in securities of parties-in-interest to the Plan.
# Represents non-participant directed investments. The cost basis of this investment approximated $273,000.

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Exhibit List.

Exhibit 23	Consent of BKD, LLP

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SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

LEGGETT & PLATT, INCORPORATED

STOCK BONUS PLAN

Date: June 23, 2010

By: /s/ JOHN G. MOORE
John G. Moore
Vice President Chief Legal & HR Officer

and Plan Administrative Committee Chair

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EXHIBIT INDEX

Exhibit No.	Document Description
Exhibit 23	Consent of BKD, LLP

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MOODY/S&P

AMOUNT

VALUE

CORPORATE BONDS 0.16%

Diversified Telecommunication Services 0.16%

Frontier Communications Corp., 7.125%, 01/15/2023
Ba3/BB-

$
2,000,000

1,865,000

TOTAL CORPORATE BONDS

(Cost $1,904,198)

1,865,000

	SHARES	VALUE
MUTUAL FUNDS 0.31%		
Loomis Sayles Institutional High Income Fund	548,386	3,624,831
TOTAL MUTUAL FUNDS		
(Cost $4,000,000)		3,624,831

	SHARES	VALUE
MONEY MARKET FUNDS 2.49%		
Federated Treasury Obligations Money Market Fund, 0.201% (7-Day Yield)	29,482,245	$29,482,245
TOTAL MONEY MARKET FUNDS		
(Cost $29,482,245)		29,482,245
TOTAL INVESTMENTS - 127.18%		
(Cost $1,066,632,122)		$1,503,389,764
LEVERAGE FACILITY - (27.07%)		(320,000,000)
LIABILITIES IN EXCESS OF OTHER ASSETS - (0.11%)		(1,292,253)
NET ASSETS - 100.00%		$1,182,097,511

* Non Income Producing Security.

(1) Pledged security; a portion or all of the security is pledged as collateral for borrowings as of July 31, 2016. (See Note 3)

(2) Loaned security; a portion or all of the security is on loan at July 31, 2016. (See Note 3)

(3) This security is marked to cover the unfunded commitment. (See Note 1)

(4) Restricted security. Investment represents a non-public partnership interest and is not unitized. (See Note 4)

(5) Security fair valued by management, pursuant to procedures approved by the Board of Trustees. (See Note 1)

(6) Represents funded portion of total outstanding commitments. See Note 1 for information on any unfunded commitments.

Notes to Quarterly Statement of Investments
JULY 31, 2016 (UNAUDITED)

1. SIGNIFICANT ACCOUNTING AND OPERATING POLICIES

Reaves Utility Income Fund (the "Fund") is registered under the Investment Company Act of 1940, as amended (the "1940 Act") as a closed-end management investment company. The Fund was organized under the laws of the state of Delaware by an Agreement and Declaration of Trust dated September 15, 2003. The Fund's investment objective is to provide a high level of after-tax income and total return consisting primarily of tax-advantaged dividend income and capital appreciation. The Fund is a diversified investment company for purpose of the 1940 Act. The Agreement and Declaration of Trust provides that the Trustees may authorize separate classes of shares of beneficial interest. The Fund's common shares are listed on the NYSE MKT (the "Exchange") and trade under the ticker symbol "UTG."

The Fund may have elements of risk, including the risk of loss of equity. There is no assurance that the investment process will consistently lead to successful results. An investment concentrated in sectors and industries may involve greater risk and volatility than a more diversified investment.

The Fund invests a significant portion of its total assets in securities of utility companies, which may include companies in the electric, gas, water, and telecommunications sectors, as well as other companies engaged in other infrastructure operations. This may make the Fund particularly susceptible to adverse economic, political or regulatory occurrences affecting those sectors. As concentration of the Fund's investments in a sector increases, so does the potential for fluctuation in the net asset value of common shares.

The following is a summary of significant accounting policies followed by the Fund in the preparation of its Statement of Investments. The preparation of the Statement of Investments is in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates. The Fund is considered an investment company under U.S. GAAP and follows the accounting and reporting guidance applicable to investment companies in the Financial Accounting Standards Board Accounting Standards Codification Topic 946.

Investment Valuation: The net asset value per common share ("NAV") of the Fund is determined no less frequently than daily, on each day that the Exchange is open for trading, as of the close of regular trading on the Exchange (normally, 4:00 p.m. New York time). The NAV is determined by dividing the value of the Fund's total assets less its liabilities by the number of shares outstanding.

The Board of Trustees (the "Board") has established the following procedures for valuation of the Fund's asset values under normal market conditions. For domestic equity securities, foreign equity securities and funds that are traded on an exchange, the market price is usually the closing sale or official closing price on that exchange. In the case of a domestic and foreign equity security not traded on an exchange, or if such closing prices are not otherwise available, the mean of the closing bid and ask price will be used. The fair value for debt obligations is generally the evaluated mean price supplied by the Fund's primary and/or secondary independent third party pricing service, approved by the Board. An evaluated mean is considered to be a daily fair valuation price which may use a matrix, formula or other objective method that takes into consideration various factors, including, but not limited to: structured product markets, fixed income markets, interest rate movements, new issue information, trading, cash flows, yields, spreads, credit quality and other pertinent information as determined by the pricing services evaluators and methodologists. If the Fund's primary and/or secondary independent third-party pricing services are unable to supply a price, or if the price supplied is deemed to be unreliable, the market price may be determined using quotations received from one or more broker dealers that make a market in the security. Investments in non exchange traded funds are fair valued at their respective net asset values.

Securities, for which market quotations or valuations are not available, are valued at fair value in good faith by or at the direction of the Board. When applicable, fair value of an investment is determined by the Fund's Fair Valuation Committee as a designee of the Board. In fair valuing the Fund's investments, consideration is given to several factors, which may include, among others, the following: the fundamental business data relating to the issuer, borrower, or counterparty; an evaluation of the forces which influence the market in which the investments are purchased and sold; the type, size and cost of the investment; the information as to any transactions in or offers for the investment; the price and extent of public trading in similar securities (or equity securities) of the issuer, or comparable companies; the coupon payments, yield data/cash flow data; the quality, value and saleability of collateral, if any, securing the investment; the business prospects of the issuer, borrower, or counterparty, as applicable, including any ability to obtain money or resources from a parent or affiliate and an assessment of the issuer's, borrower's, or counterparty's management; the prospects for the industry of the issuer, borrower, or counterparty, as applicable, and multiples (of earnings and/or cash flow) being paid for similar businesses in that industry; one or more non-affiliated independent broker quotes for the sale price of the portfolio security; and other relevant factors.

The Fund discloses the classification of its fair value measurements following a three-tier hierarchy based on the inputs used to measure fair value. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability that are developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability that are developed based on the best information available.

Various inputs are used in determining the value of the Fund's investments as of the end of the reporting period. When inputs used fall into different levels of the fair value hierarchy, the level in the hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The designated input levels are not necessarily an indication of the risk or liquidity associated with these investments. These inputs are categorized in the following hierarchy under applicable financial accounting standards:

Level 1 –	Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that the Fund has ability to access at the measurement date;
Level 2 –	Quoted prices which are not active, quoted prices for similar assets or liabilities in active markets or inputs other than quoted prices that are observable (either directly or indirectly) for substantially the full term of the asset or liability; and

Level 3 – Significant unobservable prices or inputs (including the Fund's own assumptions in determining the fair value of investments) where there is little or no market activity for the asset or liability at the measurement date.

The following is a summary of the Fund's investments in the fair value hierarchy as of July 31, 2016:

	Valuation Inputs			
Investments in Securities at Value*	Level 1	Level 2	Level 3	Total
Common Stocks	$1,426,675,514	$–	$–	$1,426,675,514
Preferred Stocks	–	251,563	–	251,563
Limited Partnerships	34,237,000	–	7,253,611	41,490,611
Corporate Bonds	–	1,865,000	–	1,865,000
Mutual Funds	3,624,831	–	–	3,624,831
Money Market Funds	29,482,245	–	–	29,482,245
Total	$1,494,019,590	$2,116,563	$7,253,611	$1,503,389,764

* See Statement of Investments for industry classifications.

During the nine months ended July 31, 2016, there were no transfers between Level 1 and 2 securities. The Fund evaluates transfers into or out of Level 1, Level 2 and 3 as of the end of the reporting period.

The following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value:

Investments in Securities at Value	Balance as of 10/31/2015	Return of capital	Realized gain/(loss)	Change in unrealized appreciation/ (depreciation)	Purchases	Transfer in and/or (out) of Level 3	Balance as of 7/31/2016	Net change in unrealized appreciation/ (depreciation) attributable to Level 3 investments held at 7/31/2016
Limited Partnerships	$9,431,161	$(1,488,721)	$ -	$(688,829)	$ -	$ -	$7,253,611	$(688,829)
Total	$9,431,161	$(1,488,721)	$ -	$(688,829)	$ -	$ -	$7,253,611	$(688,829)

The table below provides additional information about the Level 3 fair value measurements as of July 31, 2016:

Investment Type	Fair Value as of 7/31/2016	Valuation Technique*	Unobservable Input**	Amount
Limited Partnership	$ 5,511,279	Purchase Cost	Purchase Cost	$ 5,511,279
Limited Partnership	1,742,332	Adjusted Purchase Cost	Liquidity Discount	57 %
Total	$ 7,253,611			

* The fair valuation procedures used to value the Level 3 investments are in accordance with the Fund's Board-approved fair valuation policies.

** A change in the unobservable input may result in a significant change to the value of the investment as follows:

Unobservable Input	Impact to Value if Input Increases	Impact to Value if Input Decreases
Purchase Cost	Increase	Decrease
Liquidity Discount	Decrease	Increase

Commitments for Contingencies: As of July 31, 2016, the Fund has an unfunded capital commitment of $948,064 representing an agreement which obligates the Fund to meet capital calls in the future. Capital calls can only be made if and when certain requirements have been fulfilled; thus, the timing and the amount of such capital calls cannot readily be determined. The unfunded commitment is fair valued by management.

Foreign Securities: The Fund may directly purchase securities of foreign issuers. Investing in securities of foreign issuers involves special risks not typically associated with investing in securities of U.S. issuers. The risks include possible reevaluation of currencies, the inability to repatriate foreign currency, less complete financial information about companies and possible future adverse political and economic developments. Moreover, securities of many foreign issuers and their markets may be less liquid and their prices more volatile than those of securities of comparable U.S. issuers.

Foreign Currency Translation: The books and records of the Fund are maintained in U.S. dollars. Investment valuations and other assets and liabilities initially expressed in foreign currencies are converted each business day the Exchange is open into U.S. dollars based upon current exchange rates. Prevailing foreign exchange rates may generally be obtained at the close of the New York Stock Exchange (normally, 4:00 p.m. New York time). The portion of realized and unrealized gains or losses on investments due to fluctuations in foreign currency exchange rates is not separately disclosed and is included in realized and unrealized gains or losses on investments, when applicable. As of and during the nine months ended July 31, 2016, the Fund had no outstanding forward foreign currency contracts.

Investment Transactions: Investment security transactions are accounted for as of trade date. Dividend income is recorded on the ex-dividend date, or as soon as information is available to the Fund. Interest income, which includes amortization of premium and accretion of discount, is accrued as earned. Realized gains and losses from investment transactions and unrealized appreciation and depreciation of securities are determined using the first-in first-out basis for both financial reporting and income tax purposes.

2. UNREALIZED APPRECIATION / (DEPRECIATION)

As of July 31, 2016, net unrealized appreciation/(depreciation) of investments based on federal tax cost were as follows:

Gross appreciation (excess of value over tax cost)	$471,812,293
Gross depreciation (excess of tax cost over value)	(15,325,424)
Net unrealized appreciation	456,486,869
Cost of investments for income tax purposes	$1,046,902,895

3. BORROWINGS

The Fund has entered into a Committed Facility Agreement (the "Agreement") with BNP Paribas Prime Brokerage, Inc. ("BNP") that allows the Fund to borrow up to $320,000,000 ("Maximum Commitment") and a Lending Agreement, as defined below. Borrowings under the Agreement are secured by assets of the Fund that are held by the Fund's custodian in a separate account (the "pledged collateral"). Under the terms of the current Agreement, BNP is permitted, with 270 days advance notice, to reduce or call the entire Maximum Commitment. The Fund may terminate the Agreement with 270 days advance, written, notice. The Agreement allows for fixed rate borrowing in the amount of $72,500,000 and variable rate borrowing in the amount of $247,500,000. Interest on the fixed rate borrowing (the "Fixed Commitment") is at a rate of 1.7512%. Interest on the variable rate borrowing is charged at the one month LIBOR (London Inter bank Offered Rate) plus 0.80% on the amount borrowed (the "Variable Commitment"). If applicable, interest is charged at a rate of 0.70% on the amount of the undrawn Maximum Commitment.

For the nine months ended July 31, 2016, the average amount borrowed under the Agreement for the Fixed Commitment was $72,500,000 and $247,500,000 for the Variable Commitment. The average interest rate on the Variable Commitment was 1.24%. The interest rate applicable to the Variable Commitment on July 31, 2016 was 1.30%. As of July 31, 2016, the amount of outstanding borrowings was $320,000,000 and the amount of pledged collateral was $758,044,683.

The Lending Agreement is a separate side-agreement between the Fund and BNP pursuant to which BNP may borrow a portion of the pledged collateral (the "Lent Securities") in an amount not to exceed the outstanding borrowings owed by the Fund to BNP under the Agreement. The Lending Agreement is intended to permit the Fund to reduce the cost of its borrowings under the Agreement. BNP has the ability to reregister the Lent Securities in its own name or in another name other than the Fund to pledge, re-pledge, sell, lend or otherwise transfer or use the collateral with all attendant rights of ownership. The Fund may designate any security within the pledged collateral as ineligible to be a Lent Security, provided there are eligible securities within the pledged collateral in an amount equal to the outstanding borrowing owed by the Fund. During the period in which the Lent Securities are outstanding, BNP must remit payment to the Fund equal to the amount of all dividends, interest or other distributions earned or made by the Lent Securities. The Fund receives income from BNP based on the value of the Lent Securities.

Under the terms of the Lending Agreement, the Lent Securities are marked to market daily, and if the value of the Lent Securities exceeds the value of the then-outstanding borrowings owed by the Fund to BNP under the Agreement (the "Current Borrowings"), BNP must, on that day, either (1) return Lent Securities to the Fund's custodian in an amount sufficient to cause the value of the outstanding Lent Securities to equal the Current Borrowings; or (2) post cash collateral with the Fund's custodian equal to the difference between the value of the Lent Securities and the value of the Current Borrowings. If BNP fails to perform either of these actions as required, the Fund will recall securities, as discussed below, in an amount sufficient to cause the value of the outstanding Lent Securities to equal the Current Borrowings. The Fund can recall any of the Lent Securities and BNP shall, to the extent commercially possible, return such security or equivalent security to the Fund's custodian no later than three business days after such request. If the Fund recalls a Lent Security pursuant to the Lending Agreement, and BNP fails to return the Lent Securities or equivalent securities in a timely fashion, BNP shall remain liable to the Fund's custodian for the ultimate delivery of such Lent Securities, or equivalent securities, and for any buy-in costs that the executing broker for the sales transaction may impose with respect to the failure to deliver. The Fund shall also have the right to apply and set-off an amount equal to one hundred percent (100%) of the then-current fair market value of such Lent Securities against the Current Borrowings. As of July 31, 2016, the value of securities on loan was $251,986,375.

The Board of Trustees has approved the Agreement, as amended, and the Lending Agreement. No violations of the Agreement or the Lending Agreement occurred during the nine months ended July 31, 2016.

4. RESTRICTED SECURITIES

As of July 31, 2016, investments in securities included issues that are considered restricted. Restricted securities are often purchased in private placement transactions, are not registered under the Securities Act of 1933, may have contractual restrictions on resale, and may be valued under methods approved by the Board of Trustees as reflecting fair value.

Restricted securities as of July 31, 2016 were as follows:

Description	Acquisition Date	Cost	Market Value	Market Value as Percentage of Net Assets	
Bastion Energy LLC (Anglo Dutch)	7/30/2015	$5,511,279	$5,511,279	0.47	%
Talara Opportunities II, LP	8/30/2013 – 7/24/2015	4,051,936	1,742,332	0.15	%
TOTAL		$9,563,215	$7,253,611	0.62	%

Item 2. Controls and Procedures.

(a) The Registrant's principal executive officer and principal financial officer have evaluated the Registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act") (17 CFR 270.30a-3(c)) within 90 days of the filing date of this report and have concluded that the Registrant's disclosure controls and procedures were effective as of that date.

(b) There were no changes in the Registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the Registrant's last fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 3. Exhibits.

Separate certifications for the Registrant's principal executive officer and principal financial officer, as required by Section 302 of the Sarbanes-Oxley Act of 2002 and Rule 30a-2(a) under the 1940 Act, are attached as Exhibit 99.Cert.

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.

REAVES UTILITY INCOME FUND

By: /s/ Jeremy O. May
Jeremy O. May
President (principal executive officer)

Date: September 26, 2016

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 dates indicated.

By: /s/ Jeremy O. May
Jeremy O. May
President (principal executive officer)

Date: September 26, 2016

By: /s/ Jill A. Kerschen
Jill A. Kerschen
Treasurer (principal financial officer)

Date: September 26, 2016